Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Din0.700	Iran	[illegible]	Philippines	Peso40
Belgium	BFr60	Israel	[illegible]	Portugal	Esc140
Cyprus	C£0.90	Italy	L1,700	Qatar	QR8.00
Denmark	DKr13.00	Jordan	Fils800	S.Arabia	Rls7.00
Egypt	E£2.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	[illegible]	Spain	Pta140
France	FFr7.50	Lux	LFr55	Sweden	SKr10
Germany	DM2.20	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl2.25	Tunisia	Din0.800
Iceland	Ikr120	Nigeria	Naira16	Turkey	L1800
India	Rup15	Norway	Nkr12.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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AFGHANISTAN

The man who calls the tune

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World News

Geneva arms talks seek to halve nuclear strength

The US and the Soviet Union resume talks in Geneva today aimed at halving their strategic nuclear strength and resolving differences over space-based anti-missile defences. The US is expected to seek unprecedented inspections of Soviet nuclear weapons before completing a new strategic arms treaty with Moscow. Page 2

Afghan plane crash

An Afghan plane with 36 people aboard crashed in south-east Iran after a struggle between the pilot and unidentified hijackers. The Iranian news agency said 26 people including the pilot were known to have survived.

Kazakhstan protests

Fresh disturbances were reported yesterday in Soviet central Asia, where rioting youths in Kazakhstan burned cars, smashed shop windows, and overturned street kiosks apparently in protest at food rationing, rising prices and living conditions. Page 2

Hungarian protest

Romania, in a scathing protest, accused Hungary of allowing anti-socialist and anti-Romanian behaviour during the reburial of executed Hungarian premier Imre Nagy.

Himalayan accord

India and Pakistan have agreed to observe a 17-year-old peace agreement and redeploy their forces on a disputed Himalayan glacier to reduce the possibility of conflict. Page 4

Swapo chiefs return

Eight senior central committee members of the South West Africa People's Organisation flew back to Namibia after prolonged exile in Angola. They were greeted at Windhoek airport by thousands of Namibians. Page 3

HK campaign

Hong Kong's community and business leaders launch campaigns this week to step up pressure on the British Government to provide passports for at least 3.24m of the colony's people. Page 4

Ugandan aid bill

The Ugandan Government alarmed aid agencies with a bill that would put them under the control and supervision of a new board.

Punjab violence

Thirteen people were killed in connection with Sikh separatist violence in Punjab over the weekend.

Poles go to polls

Poles turned out in low numbers to vote in the second round of parliamentary elections with nearly 300 Communists running for seats they failed to win in the first-round. Page 2

Marcos critical

Former Philippines president Ferdinand Marcos underwent an emergency operation to stop bleeding from a gastric ulcer and was in a critical condition in a Honolulu hospital.

Arens in Germany

Hans-Dietrich Genscher, the West German Foreign Minister, met his Israeli counterpart, Moshe Arens, and stepped up pressure on Israel to agree to an international conference on ending hostilities in the occupied territories.

Eiffel extravaganza

An extravagant party at the Eiffel Tower has opened a summer of festivities marking the French Revolution's bicentenary, but critics say traditional values of liberty and fraternity got lost in the process.

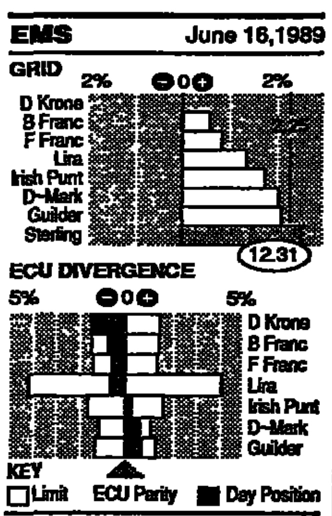
Business Summary

UK pressed to accept EC monetary unification

Mr Felipe Gonzalez, Spanish Prime Minister, arrives in London today in a last-minute attempt to persuade Mrs Margaret Thatcher, UK Prime Minister, to drop her outright opposition to European Community monetary union before next week's Community summit in Madrid.

The two leaders will meet just hours after the Spanish peseta formally joins the exchange rate mechanism of the European Monetary System after a surprise cabinet decision on Friday. Page 20

EUROPEAN Monetary System: The French franc finished on a weaker note in spite of higher domestic interest rates. The Italian lira showed a steady improvement as did the Belgian franc. Attention on the strength of the dollar helped to suppress the D-Mark which was unaffected by the Bundesbank's decision to leave key interest rates unchanged.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the Lira may move by more than 2¼ per cent. The lower gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

SIX European and North American companies including Plessey, Thomson, and Siemens, have linked to develop a new telecommunications system for Nato's European armed forces. Page 20

BANCO CENTRAL and Banco Espanol de Credito (Banesto), the second and third-ranked Spanish banks which called off their proposed merger earlier this year, succeeded in ridding themselves of dissident board members and had their 1988 results approved at their respective annual shareholder meetings. Page 24

ESAB, world's leading welding equipment manufacturer, acquired L-Tec of the US in a deal that will increase the Swedish group's annual sales by as much as 25 per cent. Page 24

FINANCE Ministers from Latin America's main debtor nations were drawing up a proposal to urge industrialised countries to support the Brady Plan for reducing the Third World's foreign debt. Page 3

SD-SCICON, UK's largest computing services company, won a 5.9m Ecu ($6.1m) contract for a computer system to connect all 518 MEPS of the European Parliament. Page 8

EASTERN Air Lines, the bankrupt US carrier, is to sell its Philadelphia base and 16 DC 9-30 aircraft for $206.5m to Midway Airlines. Page 24

DEUTSCHE Terminbörse (DTB), West Germany's new financial futures and options exchange, is set to start trading on January 26 next year. Page 24

VALEO, French car components group under the management control of Mr Carlo De Benedetti, has teamed up with Nippondenso, largest Japanese car components company, in a joint venture in Spain to produce components for electronic ignition systems. Page 24

PLO ready to participate in US plan for West Bank elections

By Jihan el-Tahri and Tony Walker in Tunis

THE Palestine Liberation Organisation is prepared to accept a US proposal for a delegation of Palestinians to negotiate terms for elections in the Israeli-occupied West Bank and Gaza Strip.

It is insisting, however, that it be allowed to nominate the negotiators, who would include prominent Palestinians from outside the territories.

In an interview with the Financial Times, Mr Yasser Arafat, the PLO Chairman, said possible candidates included Mr Edward Said and Mr Ibrahim Abu Lughod, Palestinian-American academics who last year met Mr George Shultz, the former US Secretary of State.

Mr Arafat was adamant that he should be free to appoint the negotiators. He said the PLO would insist on elections under international supervision linked to a comprehensive settlement. The PLO would also demand the withdrawal of Israeli troops from the West Bank and Gaza Strip.

The US, during formal talks with PLO representatives held in Tunis early this month, suggested that a delegation of Palestinians from within the occupied territories be authorised to negotiate with Israel about its election proposals.

The US sees this as a way of bridging the gap between Israel's refusal to negotiate with the PLO and the organisation's demands for self determination and statehood in the occupied territories.

Palestinian leaders spent the weekend in an intensive round of late-night discussions on election proposals advanced by Mr Yitzhak Shamir, the Israeli Prime Minister. Mr Shamir has suggested elections as a way of selecting Palestinian representatives to negotiate the future status of the territories.

The PLO is suspicious of the Shamir plan. It views it as an attempt, backed by the US, to freeze the guerrilla organisation out of the peace process and to neutralise the 18-month long Palestinian uprising in the occupied territories.

Mr Arafat said the PLO was prepared to authorise the delegation to discuss "everything, everything . . . anything the other side wants to discuss." There would no preconditions. "They have the right to say what they want, and I have the right to say what I want," Mr Arafat said.

But Israel is unlikely to agree to Mr Arafat's terms at this stage which would mean that it was, in effect, negotiating with the PLO which it brands as a terrorist organisation.

Mr Shamir's plan makes no provision for Israeli military withdrawal from the territories or international supervision of elections. The Israeli leader has also said repeatedly that he would not agree to give up territory in the West Bank and Gaza. The occupied territories are regarded by the Israeli right as part of "biblical Israel."

The US has been pressing Mr Shamir to abandon his refusal to agree to territorial compromise. Mr James Baker, the US Secretary of State, last month called on Israel's leaders to give up their dreams of a "Greater Israel," and abide by UN resolutions calling for a withdrawal to pre-1967 war boundaries.

Mr Arafat said the PLO was

Continued on Page 20

Israeli inflation, Page 3

China attempts to limit damage in economic relations

By Steven Butler in Peking

CHINA appears to be attempting to deflect the international criticism that has threatened its foreign economic relations after the recent violent suppression of peaceful demonstrations for greater democracy.

Remarks by Qiao Shi, the Chinese Communist Party Politburo member in charge of state security, fell short of offering an olive branch to pro-democracy protesters but set a tone of moderation. This could be important in re-establishing popular acceptance of the Government, following demonstrations that spiralled into nationwide urban protest at the beginning of the month.

Expectations were strengthened yesterday that Qiao would become the party's General-Secretary. Zhao Ziyang, the incumbent, is almost certain to be dismissed for supporting student protestors.

Qiao appeared in a prominent photograph on the front page of the People's Daily, the official party newspaper. In an accompanying article about a meeting to discuss the recent turmoil and a speech by Deng Xiaoping, China's paramount leader, Qiao is quoted calling for efforts to promote socialist democracy and to improve the legal system. He urged dialogue and co-operation with non-Communist party groups.

Yuan Mu, spokesman for the state council, China's cabinet, said in a weekend interview with NBC, the US television network, that the party continued to embrace the original goals of the student movement to improve democracy and put an end to widespread Government corruption.

However, Yuan did not back off from the Government's explanation of events, according to which the student movement had been manipulated by a small number of criminals attempting a violent overthrow of the state.

Most observers believe the student protests, which were never violent, were dying out when troops were brought in.

Tough questions put to Yuan by Mr Tom Brokaw, the NBC broadcaster, were also shown on Chinese media. Mr Brokaw said that foreign media had videos of soldiers firing at unarmed protestors and that there was evidence that hundreds, if not thousands, of civilians died. Yuan stuck to the Government line that only about 300 people died, most of them soldiers. He said that 5,000 soldiers had been injured with 2,000 civilians.

Yuan said that unnamed senior party officials had committed errors by supporting student demonstrators and that they would be dealt with according to regulations. He was referring to Zhao and Hu Qili, the politburo member in charge of propaganda.

The tone of apparent moderation comes despite eight death sentences announced at the weekend for attacks on military vehicles and buses during the rioting. This brings the total to 11, including three in Shanghai, although all those sentenced are workers, peasants, or unemployed persons, not students.

An increase in the campaign of terror would be signalled by death sentences for students, who have been treated with relative respect when shown on television after arrest. Workers have appeared in shackles, partly clothed and with guns pointed at them. Yuan gave assurances that the death penalty would not be widely applied.

However, his tone of moderation seemed to be contradicted by anti-US propaganda in which the US was accused of interfering with Chinese domestic affairs and of trying to overthrow Chinese socialism.

The US was also accused of violating international law by harbouring Chinese dissident Fang Lizhi and his wife in the US embassy in Peking.

Such an anti-US campaign has not been seen in at least a decade, and it appears to be undermining attempts to woo foreign businessmen back to China. Yuan warned ominously that those who left may regret their decision.

The Chinese media's handling of events continued to come under fire in the US yesterday. Mr Tom Foley, the Democratic congressional leader and Speaker of the House of Representatives, said the Chinese Government's attempt to deny that a mass slaughter of civilians took place at the square was "an enormous big lie."

He said he believed President Bush should be more vocal in his criticism of the Chinese leadership and consider further actions "if matters turn towards the worse, as they apparently are doing."

Crackdown becomes a family affair, Page 4

Thatcher faces party split over European elections

By Philip Stephens in London and David Buchan in Brussels

THE BRITISH Government will today begin an urgent post-mortem into its European election campaign amid sharp internal recriminations over the strong victory expected for the opposition Labour Party from last night's results.

As Mr Neil Kinnock, the opposition Labour leader, prepared to proclaim victory later this morning, Mrs Margaret Thatcher faced sharp public criticism from within Conservative ranks over her approach to last Thursday's poll.

As voters in seven other European countries cast their ballots yesterday, socialist, environmentalist, nationalist and fringe parties looked set – as in Britain – to score the biggest gains, with turnout generally diminished by brilliant weather.

Yesterday's polls took place in France, West Germany, Italy, Portugal, Belgium, Luxembourg and Greece.

Early indications from West German Chancellor Helmut Kohl's home region of Rhineland-Palatinate suggested sharp gains for the right-wing Republican party in local elections which took place at the same time as the European poll.

French voters were clearly jaded by their sixth election in little more than year and perhaps more than a little confused by a plethora of lists, particularly on the right.

Continued on Page 20

Warming toward Brussels, Page 2

Ireland facing further bout of uncertainty

By Kieran Cooke in Dublin

IRELAND is set for a period of instability and complex political manoeuvring after the inconclusive weekend result of its general election.

Mr Charles Haughey, the Prime Minister and head of the governing Fianna Fail Party, has said he expects to be renominated to head a new administration when the Dail, the Irish parliament, reassembles in two weeks' time.

Mr Haughey also said that a further election was "not desirable" and expressed a willingness for talks with other parties.

Mr Haughey has little choice but to compromise. Head of a minority administration for the past two years, he called an election in an attempt to secure a Fianna Fail majority and so continue with a programme of tough economic measures.

Much of the opposition had supported the broad thrust of Government policy over the past two years and said the election was unnecessary.

A majority of the electorate seemed to agree. Mr Haughey persisted. In the event, the election left Fianna Fail in a considerably weakened position and Mr Haughey regretting what is being seen as a serious error of political judgment.

Fianna Fail lost four seats and will have 77 members in the new Dail, six seats short of a majority. Fine Gael, the main opposition party, gained four seats and will have 55 members.

One of the main features of the election was the rise of the left, which will have more deputies than at any time in the past 20 years.

The Labour Party and the smaller Workers Party both made substantial gains, particularly in working class urban areas. Both have ruled out any accommodation with a Fianna Fail administration.

The small Progressive Democrats Party, which fought the election in alliance with Fine Gael, saw its share of the vote plummet. The Greens Party, to date dismissed as an irrelevance in Irish politics, won its first ever Dail seat.

Sinn Fein, the IRA's political wing, failed to win a seat and saw its vote drop below the 2 per cent mark it had at the last election in 1987.

Mr Haughey based his campaign on his administration's efforts to bring Ireland's finances into order. "We saved the country from bankruptcy" was Fianna Fail's boast. But during three weeks of campaigning, Mr Haughey was seen as being out of touch on a number of local issues, particularly the depth of resentment caused by cuts in the health service.

Fianna Fail has always seen itself as the natural party of power in Ireland. A party spokesman said yesterday that Fianna Fail was not "in the coalition business."

However, Fianna Fail and Mr Haughey will have been chastened by this election. Compromises will have to be made. Fianna Fail could be forced into an agreement, if not a coalition with Fine Gael. This would signal the final break up of the old party moulds which have existed in Ireland since the civil war in the 1920s and a realignment of forces on right/left lines.

Observer, Page 18

Wasserstein Perella in talks with Gateway over possible bid

By Nikki Tait in London

REPRESENTATIVES of Wasserstein Perella, the US investment bank, and Samuel Montagu, its UK merchant bank adviser, were last night meeting directors of Gateway, Britain's third largest food retailer, in an effort to agree a recommended leveraged bid.

If the recommendation is forthcoming and funding can be secured, the offer would top a £1.87bn ($2.9bn) leveraged bid already on the table from Isosceles, a newly formed UK company.

But Isosceles last night questioned how the financing and break-up sum of the rival bid – if it emerged – might work.

The Wasserstein Perella proposals may involve Great Atlantic & Pacific Tea Company, the fourth largest US food retailer, which is 51 per cent owned by the West German Tengelmann group.

It was not clear yesterday precisely what role A & P might have, but the option appeared to include some equity participation, possible management of some stores or the pre-sale of certain Gateway stores to A & P.

No firm details of the Wasserstein Perella proposals were forthcoming. However, the deal seems likely to propose the sale of certain non-core Gateway subsidiaries – in particular Herman's, the US sporting goods retail chain – and possibly some UK Gateway stores.

However, it would probably involve the retention of Gateway's superstores. By contrast Isosceles, if successful, intends to sell the superstores to Asda, the UK's fifth largest food retailer, for £705m.

A&P previously discussed with Kohlberg Kravis Roberts, the US leveraged buy-out specialist, a possible joint bid for Gateway. These talks broke down last week.

Last night, Isosceles pointed out that Wasserstein Perella's formal announcement at the weekend appeared guarded. In a statement which followed persistent rumours on Friday, Wasserstein Perella said that, through its leveraged buy-out fund, Wasserstein Perella Partners LP, it was reviewing the possibility of making a recommended offer for Gateway.

However, it added a cautionary note to the effect that it frequently looked at deals and did not normally comment on market speculation. In this case, it said, it was making the statement at the request of the Takeover Panel, the UK watchdog on bids and deals.

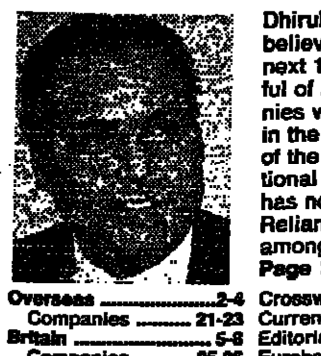
The US investment bank said that a further statement would be made by tomorrow. However, if matters went smoothly last night, there appears to be some hope of a further statement later today.

Isosceles' bid is to reach its final close on Thursday. However, in the event of a rival bid, Isosceles would be free to extend or increase its terms.

Isosceles has already acquired just under 20 per cent of Gateway's equity, while institutions acting in concert with it own about another 5 per cent.

CONTENTS

THE MONDAY INTERVIEW



Dhirubhai Ambani believes that over the next 10 years a handful of Indian companies will find a place in the Fortune 500 list of the largest international companies. He has no doubts that his Reliance group will be among them

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Starting today

The birth of a 'transnational'

A six-part Management Page series looks at how Electrolux, the acquisitive Swedish industrial group, is confronting the many organisational dilemmas created by its rapid global expansion. Page 12

OVERSEAS NEWS

UK BACKING FOR EC AT RECORD LEVEL

Britons warm towards Brussels, survey shows

By Philip Stephens, Political Editor

EUROPEAN ELECTIONS

THE latest elections to the European Parliament have coincided with a record level of support among British voters for Britain's membership of the European Community.

A poll published last night as the elections in the rest of Europe drew to a close indicated that some 65 per cent of the British electorate – traditionally lukewarm if not positively antagonistic towards Brussels – now support EC membership.

Gallup, the polling organisation responsible for the latest survey, said the figure was the highest since the question was first asked in 1972 and represented a huge leap from a low point of 21 per cent in 1980.

Of the sample of 1,274 people interviewed last month, only 18 per cent thought that the Community was "a bad thing". About 23 per cent were indifferent and 4 per cent said they had no view.

The poll, one of a series being conducted for the European Commission, is likely to strengthen recriminations within the Conservative Party over the style of its campaign for the elections to the European Parliament.

The campaign, which faced considerable criticism yesterday from some Conservative MEPs, focused on the Government's readiness to defend British interests against encroachment from Brussels. Many Conservative politicians believe that it misjudged the mood of the electorate and so contributed to the Government's heavy losses in the Strasbourg elections.

Mrs Margaret Thatcher set the tone for the party's advertising with repeated stress on the need to defend British sovereignty in order to blunt the threat of a "socialist superstate in Europe.

That in turn brought sharp clashes with Mr Edward Heath, the former prime minister, who argued that the Prime Minister was out of touch with a growing popular commitment to Europe. The latest poll suggests that the electorate is evenly balanced over the issue of whether the Government should cede more sovereignty.

About 38 per cent of respondents said they "feared a lot" the transfer of power to the Community but some 36 per cent were unconcerned and 23 per cent saw it as only a minor threat. Asked to list possible drawbacks to the programme for the creation of a single market by 1992, only 15 per cent cited loss of sovereignty.

Even those with reservations about the impact of the Community believe that Britain has no alternative but to participate fully. Gallup's sample suggests that 72 per cent of voters take that view, while only 13 per cent see other possibilities.

The poll also reveals strong support for virtually all the key elements in the single market programme. Although the elimination of frontier controls was regarded as a disadvantage by 35 per cent, 53 per cent saw it as a positive step.

Other elements, such as job mobility, freer trade, and even alignment of rates of value-added taxes draw stronger majorities in their favour.

New Democracy opposition party leader Constantine Mitsotakis waves to supporters at a Greek polling station

Rafsanjani visit will cement ties with Moscow

By Quentin Peel in Moscow

THE rapidly-improving relations between the Soviet Union and Iran will be cemented this week with an official visit by Hojatoleslam Ali Akhbar Rafsanjani, which was confirmed in Moscow yesterday.

A series of economic and commercial agreements are expected to be finalised during his visit, including an accord to reopen the gas pipeline delivering Iranian natural gas to the trans-Caucasus region of the Soviet Union.

The Iranian news agency Irna said yesterday that Mohammad Javad Iravani, the Minister of Finance, had already left for Moscow to finalise preparations for the arrival of Rafsanjani, the Speaker of the Iranian parliament, acting commander-in-chief of the armed forces, and expected to be the next Iranian president after elections in August.

Mr Mikhail Gorbachev, the Soviet leader, has pressed efforts to revive relations with Iran, despite a rebuff from the late Ayatollah Khomeini.

Rafsanjani will be the most senior Iranian leader to visit the Soviet Union since the Iranian revolution in 1979. In his first foreign policy statement after the Ayatollah's death, he said Khomeini had urged him to improve relations with Moscow.

For Moscow, Iran would be an important ally in efforts to bring peace to neighbouring Afghanistan.

Mr Gorbachev is anxious to curb any hint of Islamic fundamentalism in Soviet Central Asia. Last week, he claimed race riots in Uzbekistan showed "fundamentalism has bared its teeth". Reopening the gas pipeline from Iran could ease a looming energy crisis in Azerbaijan.

Low turnout as Poles hold second round of elections

By Christopher Bobinski in Warsaw

MANY POLES stayed away yesterday for the second round of the country's parliamentary elections, which saw mostly official candidates who failed to win 50 per cent of the valid vote in the first round on June 4 competing against each other on a first-past-the-post basis.

Reports from polling stations during the day suggested that the turnout would reach half of the 62 per cent attendance in the first round, which saw a decisive vote in favour of Solidarity's candidates for the 460-seat Sejm, the lower Parliamentary Chamber, and the new 100-seat Senate.

Yesterday, Solidarity candidates were still contesting eight unfilled Senate seats and it was only in Pila and Leszno in Western Poland where official candidates stood a chance of success that the turnout was appreciably higher than elsewhere.

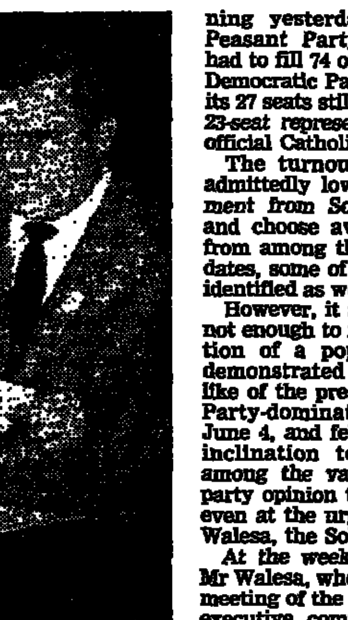
Solidarity yesterday had still to capture one of the 161 Sejm seats allocated to it, while Communists were competing for 171 unfilled seats out of their 173-seat allocation agreed with the Solidarity opposition before the election.

The smaller groups still running yesterday include the Peasant Party (ZSL), which had to fill 74 of its 76 seats, the Democratic Party (SD) with all its 27 seats still vacant, and the 23-seat representation of three official Catholic groupings.

The turnout came despite admittedly low-key encouragement from Solidarity to vote and choose avowed reformers from among the official candidates, some of whom had been identified as worthy of support.

However, it seemed this was not enough to fire the imagination of a population which demonstrated its sincere dislike of the present Communist Party-dominated system on June 4, and felt no interest or inclination to choose from among the various shades of party opinion two weeks later, even at the urging of Mr Lech Walesa, the Solidarity leader.

At the weekend in Gdansk, Mr Walesa, who did vote, told a meeting of the Solidarity union executive committee that the support his movement had won at the election would be short-lived, unless concrete reforms and improvements were achieved.



Walesa: warned of need for Solidarity reforms

Ban on airliners eased after crash

EAST Germany's Interflug airline has partly lifted a ban on flying its Soviet-built Ilyushin IL-62 airliners despite a crash on Saturday in which 17 people were killed and dozens injured, Reuter reports from East Berlin.

The official ADN news agency said yesterday five of Interflug's 11 remaining IL-62 aircraft had been cleared by aviation experts and two took off from East Berlin's Schönefeld airport for Singapore and Havana during the night.

Hours after the Moscow-bound IL-62 aborted its take-off and burst into flames, the Transport Minister, Mr Otto Arndt, ordered all similar aircraft in Interflug's exclusively Soviet-built fleet to be grounded pending an inquiry.

"After thorough checks five aircraft were released for use by early on Sunday," said ADN, without explaining why Mr Arndt's grounding order had apparently been overturned.

The agency said technical specialists were still examining the flight recorder recovered from the skeletal remains of Flight IF102, which came to rest in a cornfield 500 yards beyond the runway.

Mr Arndt said that, because the recorder was found and the pilot survived, it should be possible to find out why the aircraft, carrying 113 passengers and crew, failed to get airborne.

ADN said 17 people died, including a farmer working in a field, and 36 people were in hospital, 15 of them seriously injured. Eighteen others were sent home after treatment. Dozens of people, including a two-month-old baby, escaped unhurt.

Because of the intensity of the blaze, which virtually destroyed the aircraft, it was proving extremely difficult to identify the dead and retrieve bodies, ADN said.

It was Interflug's first accident since 1975. The worst was in 1972, when 156 died in a mid-air explosion on an IL-62.

The IL-62 dates from the 1960s and is still the workhorse of East bloc airlines on long-haul or popular routes.

Interflug is due to receive the first of three leased West European Airbuses on June 26. It plans to use them on long-distance routes, partly to replace the ageing IL-62s.

Dark clouds bring ill omens for Pasok's sunshine

By Andriana Ierodiaconou in Athens

THOSE looking for omens in yesterday's Greek general elections found one in the unseasonable black clouds which towards mid-morning began to obscure the Attica sun. Nature in its own way appeared to be forecasting, along with the opinion polls, the downfall of Dr Andreas Papandreou's ruling Panhellenic Socialist Movement (Pasok), whose emblem is a green sun.

The impression that the conservative New Democracy (ND) party led by Mr Constantine Mitsotakis would be the winner of the contest yesterday was reinforced by the Socialists' poor showing in their final open-air campaign rally in Athens on Friday night.

Though expertly stage-managed to look well-attended on television, the rally was in reality much thinner and tangibly less enthusiastic than the gathering organised by ND the night before.

In the last three nights before the elections Athens' main avenues became the scenes of noisy drag-racing between ND and Pasok drivers, waving flags and honking horns.

To avoid street clashes between rival groups police yesterday blocked access to the areas around key Athens electoral centres for all but professional vehicles.

Despite the favourable signs there was lingering nervousness in ND circles yesterday a few hours after the polls had opened about the party's chances of securing a majority of seats in Greece's 300-member house.

Under the current Greek electoral law this will depend on ND's lead against Pasok as well as on the score of the Communist Alliance, which is expected to come in third place.

Meanwhile the majority of newspapers festooned around Athens kiosks, including many left-leaning ones which had fervently supported Pasok in both the 1981 and 1985 general elections, advised voters to cast their ballot against the Socialists.

They uniformly condemned Pasok for corruption.

Kazakhstan hit by riots over food rationing

By Quentin Peel

NEW disturbances were reported yesterday in Soviet Central Asia, where rioting youths in Kazakhstan burned cars, smashed shop windows, and overturned kiosks, apparently in protest at food rationing, rising prices and poor living conditions.

The latest violent protests occurred in the town of Novyuzen, in the Caspian oil-producing region of the Mangyshlak peninsula, according to the Communist Party youth newspaper Komsomolskaya Pravda.

A fight between two rival gangs turned into a riot through the streets of the town, only halted by interior ministry troops outside police headquarters.

The youths called for abolition of food ration cards and closure of co-operatives, which they blamed for food shortages and rising prices. They also claimed migrant oilworkers in the region got better pay and social conditions, while many local young people were unemployed, the newspaper said.

Similar complaints were cited in neighbouring Uzbekistan as a factor behind the race riots of recent weeks, which left at least 97 dead.

Total of trade unionists killed 'nearly doubled'

By William Dullforce

NEARLY 650 trade unionists were murdered and 6,500 arrested throughout the world last year, the International Confederation of Free Trade Unions says in its 1989 report to the International Labour Office on violations of union rights.

The number killed is almost double that reported in the previous survey. The most brutal repression was recorded in Latin America, with an estimated 500 trade unionists murdered in Colombia alone, the Brussels-based *ICFTU claims.* Murders and disappearances in Colombia, of which trade unionists are the primary *victims, are the work of* paramilitary groups and hired killers connected to narcotics traffickers, right-wing landowners and guerrillas, the ICFTU says.

Its report records mass killings, including the deaths of 43 Colombian miners and peasants in November in a grenade and rifle attack by an armed gang.

The Colombian government failed to take decisive action as a result of killings but moved swiftly against the trade union movement during the general strike in October, when more than 700 unionists were arrested, ICFTU says.

A special section is devoted to one employer-led organisation launched in Costa Rica, which promotes membership of associations dedicated to "worker-employer harmony".

Altogether, the ICFTU survey cites 79 countries, including the UK, where the government is chastised for its attempt to dismiss unionists at its Cheltenham intelligence-gathering centre.

US likely to press Moscow on N-weapon inspections

By William Dullforce in Geneva and Lionel Barber in Washington

AFTER a seven-month break US and Soviet negotiators resume talks in Geneva today aimed at cutting by half their strategic nuclear arsenals and resolving differences over space-based anti-missile defences.

Washington may table modifications to positions taken by former President Ronald Reagan's negotiators, US officials say. Specifically the US is expected to seek unprecedented inspections of Soviet nuclear weapons before completing a new strategic arms treaty with Moscow.

The proposal, which would involve practising inspection techniques that could subsequently be used for treaty verification, is intended to test the Soviet Union's expressed desire for glasnost and represents the most important result of a three-month review of the US negotiating position.

But, while this and other changes may put President George Bush's imprint on the US stance, they are not expected to bridge gaps over key issues such as the future deployment of space defence weapons, the number and type of mobile missiles to be allowed and the counting of sea-launched cruise missiles.

In contrast Mr Yuri Nazarkin, the new Soviet chief negotiator, said on his arrival in Geneva on Friday that he had not come "empty handed" and Soviet officials continue to underline the urgency of completing the 1987 Intermediate-range Nuclear Forces (INF) treaty, abolishing weapons in the 1,000km to 5,500km range, with a Strategic Arms Reduction Treaty (Start) covering missiles with ranges of 5,500km and over. However, Mr Nazarkin did not disclose any proposals.

The new US administration, wary about the previous administration's accelerated push for a Start treaty, has sought to shift attention to the need for progress in the Vienna talks on Conventional Armed Forces in Europe. In his first big arms initiative President Bush proposed on May 29 that the US and Soviet Union reduce their troops in Europe to 275,000 troops each and conclude a deal, including substantial cuts in weaponry, within the next six to 12 months.

Western diplomats say Mr *Bush also still has to settle differences* within his administration and with Congress over the modernising of US land-based nuclear missiles and over interpretation of the US-Soviet 1972 anti-ballistic missile treaty.

Mr Reagan wanted a "broad" definition of the ABM treaty which would allow the US to deploy anti-missile weapons developed under his Space Defence Initiative. The Soviet Union says it will not sign a Start agreement, if the US persists with this SDI strategy.

Both sides return to Geneva with new chief negotiators. Mr Nazarkin, former head of the Soviet delegation to the United Nations disarmament conference discussing a chemical weapons ban, replaces Mr Alexei Obukhov, while Mr Richard Burt, former US ambassador to West Germany, takes over from Mr Max Kampelman. *Last November US* officials said agreement had been reached on 80 per cent of a 300-page draft Start document. Basic elements agreed would limit each side to 6,000 warheads and 1,600 strategic nuclear delivery vehicles. However, administration officials now estimate that completion of a Start treaty is at least three years away.

On Friday Mr Nazarkin listed the following outstanding problems:

● The link between a Start accord and interpretation of the ABM accord.

● The Soviet demand for the inclusion of sea-launched cruise missiles and ways of distinguishing between conventionally armed and nuclear-tipped missiles.

● Numbers of heavy strategic bombers and the method of counting air-launched cruise missiles.

● *Limits for mobile missile launchers.*

● Verification, meaning mechanisms to prevent cheating.

Another unresolved *matter* is the US demand that Moscow dismantle its phased-array radar station at Krasnoyarsk in Siberia, which the US claims violates the ABM treaty.

Ozal welcomes Bulgaria talks

By Jim Bodgener in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday welcomed Bulgaria's offer of talks to settle the question of the ethnic Turks it has expelled for rejecting forced assimilation.

The numbers who have crossed the border into Turkey since the third week in May reached about 40,000 yesterday.

Mr Ozal stressed the aim of the talks should be an immigration agreement, which Turkey has sought throughout the crisis. His Bulgarian counterpart, Mr Georgi Atanassov, rejected any preconditions.

The UN High Commission for Refugees *should also* be present at the talks, Mr Ozal said. He called for more pressure on Bulgaria.

Ensuring the 1992 programme isn't a spivs' charter

1992 THE EUROPEAN MARKET

THE freedom to transfer capital across frontiers is widely seen as a basic precondition for the success of Europe's single market.

But as someone in Brussels asked candidly last week, is there not a danger that this part of the much vaunted "1992" programme will be seen by critics as nothing better than a "spivs' charter"?

While liberalising capital *flows may encourage efficiency* and stimulate competition, he pointed out, removing all restrictions on individual bank accounts may have less desirable consequences, notably by facilitating tax evasion and insider share dealing.

That is why the agreement expected in Luxembourg today on a new insider trading directive will mean putting in place an important new piece in the internal market jigsaw. Put another way, the draft rules – subject of a hard-fought compromise by EC ambassadors and their advisers over the last few weeks – are designed to ensure that the scope for investors to operate in a wider European financial market from 1992 will not be matched by lucrative new opportunities for financial cheats.

The directive likely to be endorsed by a majority of EC finance ministers today has been substantially changed since the original proposals were drafted by the European Commission in 1987. Thanks to some hasty last-minute lobbying by the City of London and the British Bankers Association – as well as some energetic late-night negotiation by British officials – the final text comes close to existing British insider trading legislation, is based on a relatively narrow definition of the insider trading offence, and will be both practical and enforceable, according to relieved Whitehall officials.

Above all there seems to be general satisfaction that Brussels' mandatory new rules will not (as originally feared) hinder normal stock market business; that takeovers, large share purchases and legitimate bond market operations will not be tripped up; and that bona fide professionals such as bankers and stockbroking analysts will not inadvertently be caught by virtue of simply doing their job.

When the European Commission first put its ideas on the table, most member states had no insider trading legislation of their own. Today eight of the 12 have their own national rules – albeit widely varying – with only West Germany, Belgium, Italy and Ireland yet to take any action.

The new directive is "minimal" – that is to say member states can draw their own national net wider if they wish – and will require the introduction of at least equivalent national legislation by June 1 1992. While the four "laggards" will be most directly affected, the other countries (including the UK) will have to make modifications to a greater or lesser extent to bring their existing rules into line.

As finally drafted the directive defines insider information as that which is of a "precise nature", which has not been published, and which relates to one or several issuers or issues of transferable securities. Two categories of insider are prohibited from taking advantage of their position – the "primary" insider connected with the company either as employee or in some other capacity such as financial adviser, and the "secondary" insider who is defined as having received the inside information directly from a "primary" source.

Clarifying interpretative clauses have been inserted in the text in recent weeks spelling out which bona fide operators are exempt, while the new rules specify that a clear link now has to be established between primary and secondary insiders. Acting on information stumbled upon in a waste paper basket or overheard in the pub, for example, would not therefore be tantamount to committing a secondary insider offence under the EC law (though there is nothing to stop a member state making it so in its own laws).

The directive recommends no common penalties – leaving that up to individual countries to decide – nor does it say that insider trading, as in the UK, need necessarily be a criminal offence (the maximum penalty in Britain is seven years in prison).

Much of the detailed argument in recent weeks has been over the territorial scope of the new EC rules. In the end a fairly narrow definition has been agreed, so that what counts is the location where the illegal transaction was carried out. A British citizen acting on inside information on the New York Stock Exchange, for example, will not be pursued by Britain under British law. On the other hand, in one of its most significant provisions, the EC law will say that the "competent authorities" in country A are obliged to co-operate with their opposite number in country B, even if national legislation in country B is stricter than in country A.

This initially created ripples among those who feared that information in an insider trading investigation might be passed on to the tax authorities – it cannot be, without the express permission of the member state which provided it – but the point remains a key concern of the West Germans, who do not like the idea of having to enforce rules which may be tighter than their own.

The directive also lays down new disclosure rules for listed and debt securities, in effect requiring companies on recognised markets to publish important new information as soon as possible. The thinking here is that the less unpublished information there is, the less opportunity there will be for insider dealing.

The changes required to existing UK insider trading rules are expected to be minimal. There should be no need *for any further primary legislation*, though Britain was apparently pushing for an even later deadline, ostensibly because of worries about lack of parliamentary time. The new provision requiring co-operation between competent authorities is one area where the UK will have to change.

Elsewhere, attitudes and experience vary considerably. The French and Greek governments, for example, were among those in recent weeks pushing hardest for a broader interpretation of insider dealing and this could be reflected in any subsequent change to existing French law. Paris was keen, for example, that currency index and commodity future contracts be specifically included in the directive; the fact that they have been left out does not mean they cannot be covered by national rules.

Portugal, meanwhile, outlaws only primary insiders at the moment, so its legislation will have to be extended to "tippees" (secondary insiders who get a tip). Luxembourg is preparing more general legislation which will apply not only to dealings on the Luxembourg stock exchange but to inside deals transacted on markets outside the Grand Duchy.

Legislation has recently been introduced in the Netherlands – with penalties of up to two years in prison or a fine – but according to one Brussels expert, the tightest regime is *operated by the Danes*. Simply stating that anyone with price-sensitive information should not take advantage of it, the Danish rules do not require the prosecution to establish any link between primary and secondary insider.

Of those without their own national laws, Belgium currently has a draft text which does not go as far as the directive; Italy, where insider dealing is rampant, may be ready to introduce legislation in the autumn which could be unusually far-reaching in its territorial scope; and Ireland, after earlier doubts, is understood to be preparing rules which will apply criminal sanctions to the offence.

Some of the biggest problems, however, are expected in West Germany, where there is a self-regulatory code for German companies listed on German stock exchanges which defines only a primary insider.

Negotiations with non-EC states are mentioned in the text, but rather than a series of bilateral discussions the European Commission hopes the EC will ratify a Council of Europe convention on insider trading co-operation with "third countries".

Tim Dickson

EUROPEAN Community governments will today move towards agreement on three far-reaching proposals for scrapping barriers to free cross-border trade in financial services, writes William Dawkins in Brussels.

Finance ministers meeting in Luxembourg will seek a political accord on plans for a single European banking licence and common rules for bank solvency ratios, so completing the bulk of the EC's work on a free internal market for banks. They are also due to rubber-stamp a formal agreement on rules against insider trading.

This follows weeks of late-night meetings between national officials, called by the Spanish presidency of the EC in an attempt to settle technical issues. A handful of problems are left outstanding for West Germany, the UK, Denmark and Greece but diplomats and Commission officials believe they stand on the brink of an accord on both banking measures.

The Community banking licence, contained in the proposed second banking directive, would allow Community-based bank subsidiaries the right to do business anywhere in the EC, so long as they conform with minimum rules of financial soundness. Those standards are laid down in a related directive on bank solvency ratios, and a separate proposal on common rules for defining capital assets, *approved by ministers earlier this year.*

Under the solvency ratio scheme, EC banks need to keep shareholders' funds at not less than 8 per cent of risk-weighted assets, the same standards as applied to international banking by the so-called Basle accord, embracing the US, Canada and Japan as well as Europe.

West Germany and Denmark want mortgage lending, which represents a big part of their banking markets, to be given a lower risk weighting in the EC directive than is the case in the Basle rules. Britain opposes this idea on the grounds that less strict EC rules on solvency ratios might unravel the entire Basle agreement. Some forces in the Commission, however, are open to compromise in the interests of getting a common position.

To achieve formal agreement on the *main banking directive*, ministers need to put the finishing touches to the conditions under which banks from non-EC countries can set up subsidiaries, recently made more flexible by Sir Leon Brittan, the European Commissioner for competition and financial services.

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Slower growth predicted in revised US forecasts

By Peter Riddell, US Editor, in Washington

THE Bush administration faces a reopening of arguments over the mid-April agreement with Congress on the fiscal 1990 budget as a result of new, and less optimistic, economic forecasts and a stalemate over revenue proposals.

This agreement projected a budget deficit of less than the statutory target of $100bn (£65bn) for the year starting this October.

This reflected assumptions that the economy would grow by 3.5 per cent during calendar 1989 and that $5.3bn would come from additional revenue, mainly an initial boost from a reduction in capital gains tax.

However, both assumptions have now been questioned. The administration has just produced three new forecasts, putting real, inflation-adjusted, growth in calendar 1989 at 3.2, 3 or 2.9 per cent. These are less optimistic than previously, though higher than the 2.2 per cent increase expected by the "Blue Chip" consensus of private-sector and academic economists.

Even the cautious administration revision would cut revenue, while the forecasts also show substantially higher interest rates than previously assumed, which boosts expenditure. Both changes raise the likely deficit.

However, the pick-up in inflation this year will boost tax revenue, which has anyway recently been running at a level higher than had been expected. This would lower the deficit.

By using three possible projections, the administration has gained some flexibility in deciding on the single forecast required by next month. If the projected deficit for fiscal 1990 is shown at more than $110bn, there will have to be automatic across-the-board spending cuts to meet the target unless Congress has alternative proposals.

A further complication has come from the stalemate on additional revenue. The possibility of a deal on capital gains tax floated recently by Mr Dan Rostenkowski, the chairman of the tax-writing House ways and means committee, as a means of opening negotiations has so far failed to win much support from fellow Democrats.

The committee will this week discuss in detail how to find the needed $5.3bn in the face of President George Bush's opposition to new taxes, the Democrats' reluctance to cut the capital gains tax, and general resistance to alternative methods of raising revenue.

The administration has taken up Mr Rostenkowski's hints to claim, according to Mr Richard Darman, the budget director, that the odds have "risen enormously" and are now "something like even money".

However, Mr Darman objects to an idea currently circulating in Congress for a one-year cut in capital gains tax, on the grounds that it would be an insufficient incentive to entrepreneurs.

These arguments over the fiscal 1990 budget are complicating the timetable for agreeing a further cut in the deficit in fiscal 1991, when spending and tax measures of more than $40bn may be needed to meet the statutory target.

Mr Foley talked yesterday of continuing talks "with the hope of maybe developing a budget plan before the end of this year if possible, for next year."

He said this would involved restraint on spending, both entitlement (social security) and discretionary spending and new revenues.

Mr Rostenkowski has talked of the need for "big tax increases".

Peres may cut benefits to fight Israel's inflation

By Hugh Carnegy in Jerusalem

THE sickly state of Israel's stalled economy was given a special hearing at the weekly cabinet meeting yesterday, with Mr Shimon Peres, the Finance Minister, blaming the effects of the long-running Palestinian uprising in the occupied territories and mistaken exchange rate policies last year for prolonging the slowdown.

Aides said Mr Peres told fellow ministers he was considering cutting the country's high marginal income tax rates and widening tax bands and lowering corporation tax from 45 to 43 per cent as ways of stimulating growth.

But the priority remained the battle to control inflation, now running at an annual rate of between 15 and 20 per cent. Mr Peres's message was that measures such as tax cuts and heavy demands for extra spending this year must not be allowed to add to inflationary pressures by swelling the government's budget deficit.

The pressures on government expenditure are severe. Aside from its effects in reducing demand and disrupting labour supply, the 18-month old intifada has cost the army more than shekels 400m ($200m) which it now wants back from the finance ministry. A marked rise in immigration has also led to demands for extra funds from the absorption ministry.

Mr Peres acknowledges that at least part of these demands, both regarded as national obligations, will have to be met, but his officials insist something else will have to give to pay for them if the target deficit of Sh1.8bn is not to be badly overshot.

The target for potential cuts inevitably is the large chunk of the budget spent on social benefits. Cutting social spending is not easy for Mr Peres, as leader of the Labour Party, but aides say they believe there is room for cuts, perhaps by reforming the longstanding commitment to universal benefits.

Mr Peres blamed the refusal last year – when he was foreign minister – to devalue the shekel for a loss of profitability in the vital export sector. He introduced a 13 per cent devaluation at the turn of the year, with a series of subsidy cuts and other reforms in an effort to jolt the economy into action.

So far little has happened. According to the manufacturers' association, industrial output and investment have slumped and exports stagnated this year.

Mr Peres told the cabinet he still believed his measures would have their impact later in the year.

● The cabinet decided yesterday to add the Islamic fundamentalist groups Hamas, Islamic Jihad and Hizbollah to the list of outlawed organisations – such as the Palestine Liberation Organisation – which Israelis are barred from having contact with. Hamas in particular has been prominent in the *intifada* (uprising).

Over the weekend, Israeli troops shot dead five people in the West Bank and Gaza Strip and one soldier was hit by a pistol shot, in a rare use of firearms by Palestinians in the territories.

Hambros in Sudanese 'debt-for-children' scheme

By Stephanie Gray

HAMBROS BANK has signed an agreement to convert the £1.6m which Sudan's government owes it to a local currency sum to be spent by the United Nations Children's Fund (Unicef) on a $5m water and sanitation programme in Kordofan province.

The bank had followed Deutschebank, which agreed to convert a similar amount last week, and Midland, which donated its outstanding debt of $800,000 last December for the same programme.

Although the sums involved are small compared with Sudan's total external debt of $12bn, the health, water and reafforestation scheme they will finance will benefit 5,000 people.

It will bring water supplies to 10 villages and irrigate seedling nurseries in an area that has seen a big influx of refugees from the civil war in the south of the country.

The banks are making a virtue of necessity, recognising that they have little hope of having the debt paid. On the secondary market, Sudan debt trades at between 2 and 5 per cent of face value.

British and Middle East banks are looking at similar debt-for-children schemes in Latin America.

Meanwhile Mr Sadeq el Mahdi, Sudan's Prime Minister, has admitted that Arab militias in the south of Sudan have been involved with the theft of cattle and the kidnapping of adults of the Dinka tribe for slavery.

The Channel 4 World This Week programme on Saturday alleged that the militias had taken adults as slaves with the connivance of Khartoum and as a result hundreds of children had been trekking to refugee camps in Ethiopia, many of them dying on the way.

Mr el Mahdi admitted that such incidents had happened but claimed that they were the result of feudal disputes and denied that the militias had had the approval of the government.

He said in a satellite link-up with Khartoum that Sharia law, a primary cause of the civil war with the Christian and animist south, would not be excluded from the agenda of a constitutional conference to be held in September.

Dominican Republic strike

THE military and the police have been put on alert in the Dominican Republic for a 48-hour general strike starting today. The strike has been called by unions seeking a relaxation of the government's economic austerity measures, reduced income taxes and a higher minimum wage, Canute James writes from Kingston.

One man was killed and several people arrested following violence and demonstrations in a strike last month.

The increasing tension reflects a steady loss of popularity for President Joaquim Balaguer.

Swapo leaders home from exile to start poll preparations

By Anthony Robinson in Johannesburg

EXILED leaders of the South West Africa Peoples Organisation, the Namibian nationalist group, returned home to an emotional welcome from thousands of its supporters yesterday.

The team arrived at Namibia's Windhoek airport with plans to get the party's political campaign into top gear in time for elections to a constituent assembly on November 1.

Supporters waving blue, red and green Swapo flags and banners waited hours at the airport for the arrival of Mr Hage Geingob, director of the UN-funded Namibia Institute, who is to head Swapo's election campaign, and other senior leaders. They include Mr Hidipo Hamutenya, Swapo's press and information secretary and leading ideologue, and Mr Theo Ben-Gurirab, the organisation's foreign affairs secretary.

Swapo, which has received foreign funding and UN support over the last two decades, last week reportedly paid R5m (£1.2m) for an office block in Windhoek from which to direct its attempt to win a two-thirds majority at the November election.

In terms of the UN-sponsored negotiated settlement of the conflict over the territory, a two-thirds majority would qualify Swapo to write its own constitution for the former German colony, which has been ruled by South Africa since 1915.

● According to reports from Lisbon, Mr Jonas Savimbi, leader of the South African-backed rebel group Unita, has agreed to go into temporary exile to facilitate talks between Unita and the MPLA government aimed at ending the Angolan civil war. The Johannesburg Sunday Times reported from the Portuguese capital that officials from both sides would meet in Kinshasa, capital of Zaire, this week for talks chaired by President Felix Houphouet-Boigny of the Ivory Coast.

South African foreign ministry sources could not confirm or deny the report, which said Pretoria had been involved in efforts to bring about such a negotiated settlement.

Meanwhile Mr F W de Klerk, leader of the ruling National Party, leaves for a four-nation European tour early this week for talks with Mrs Margaret Thatcher, the British Prime Minister, Mr Helmut Kohl, West German chancellor, Mr Anibal Cavaco Silva, Portuguese Prime Minister, and Mr Giulio Andreotti, the Italian Foreign Minister.

Mr de Klerk is expected to explain his government's plans for power-sharing negotiations after general elections on September 6, at which he faces a two-pronged challenge from the right-wing Conservative Party and a reorganised, united left-of-centre Democratic Party.

Mr de Klerk is due back in South Africa in time for the party's federal council meeting, which starts on June 28, where he is expected to unveil the party's election manifesto. He is also expected to make a separate visit to Washington sometime before the election.

Latin American plea for support for Brady Plan

FINANCE Ministers from Latin America's main debtor nations at the weekend were drawing up a proposal to urge industrialised countries to support the Brady Plan for reducing the Third World's foreign debt, Reuter reports from Caracas.

The ministers from the so-called Group of Eight nations met in Caracas to prepare a document they will submit to the Group of Seven industrialised countries in Paris next month.

"We are ready to propose to the Group of Seven that they adopt concrete and rapid actions such as fiscal and banking regulations which help the [commercial] banks commit themselves to the debt reduction process," said the Brazilian Finance Minister, Mr Mailson da Nobrega.

"Up to now the industrialised countries have not shown the desire to co-operate with fiscal regulations for the banks, so that they can take part in the debt reduction process," he said.

Mr Nobrega also said that while World Bank and International Monetary Fund officials supported the Brady Plan, they were placing "impossible" conditions on countries who seek debt reduction.

The Brady Plan, announced in March, envisions a reduction of 20 per cent in developing nations' debt, through pools of funds to be provided by the IMF and the World Bank.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		May '89	Apr '89	Mar '89	May '88
Japan (US$bn)	exports	21.490	22.180	24.238	20.468
	imports	17.890	15.440	17.104	13.630
	balance	+3.610	+6.740	+7.134	+6.838
		Apr '89	Mar '89	Feb '89	Apr '88
US ($bn)	exports	30.572	30.323	28.664	26.028
	imports	38.8365	39.8685	38.483	34.825
	balance	−8.264	−9.545	−9.819	−8.796
UK (£bn)	exports	7.143	7.396	6.798	6.733
	imports	9.297	9.073	8.978	8.146
	balance	−2.155	−1.677	−2.180	−1.413
W. Germany (DMbn)	exports	53.50	51.48	52.58	44.47
	imports	43.60	39.55	40.40	33.48
	balance	+9.90	+11.93	+12.18	+11.01
France (FFrbn)	exports	93.30	96.50	93.07	79.64
	imports	97.10	96.80	93.52	81.22
	balance	−3.80	−0.30	−0.45	−1.58

China crackdown becomes a family affair

Calls to inform show why the people are terrified, Steven Butler reports

LAW *enforcement in* China is becoming more and more of a family affair.

Last Tuesday, Zhou Fengsuo, a 22-year-old leader of China's *banned Autonomous Student* Union, was on a train from Peking to Xian, where his brother and sister lived, when the state TV system broadcast a nationwide call for his arrest.

In less than an hour, he was in police custody. His sister, according to the official news agency, had a talk with her husband, and decided the only thing to do was to tell the police where Zhou was. They informed university security, which passed the message on.

One day later, the mother of Xiong Wei, another student leader, convinced her son to return to Peking from Shenyang, to turn himself in. Yet so frightened was she on the train, when the arrest notice was read out over the public address system, that she turned him in to train security guards. These incidents, presented on nationwide evening TV news, *show why the* Chinese people are terrified.

Setting relative against relative and friend against friend is what Chinese communists are good at, and is one secret of their grip on power. *The current* crackdown has revived painful memories of the Cultural Revolution and the anti-rightist movement of 1957, where attacks on those who did not conform to the political line ruined lives, sometimes with swift brutality.

In the Cultural Revolution, children were encouraged to "draw the line" between themselves and their parents, and many denounced the sins of their mothers and fathers, inflicting wounds still unhealed.

However, amid the first con*ciliatory signs* from the leadership since the crisis erupted, Qiao Shi, politburo member in charge of state security, called yesterday for efforts to promote "social democracy".

Despite this, some Chinese students expect that fallout from the huge pro-democracy protests will be worse than anything seen yet. This is because, they reason, the régime is ideologically bankrupt and now has only the weapons of raw repression - prisons and a bullet to the head. That may be too pessimistic, even though 11 death sentences have been pronounced. But the mere hint of China's repressive machinery swinging into action has been enough to chill the air.

After 10 years of uneven political relaxation, many Chinese let down their political guard, figuring they would not be called to account. They were wrong. Martial law proclamations are plastered up everywhere in Peking. The posters advise people to turn in their friends.

Students are terrified. It is a nightmare that if they do not confess their own involvement, someone else will accuse them and put an even blacker mark on their record.

Even if they do not face death or imprisonment, that record follows them for life, and they can see plenty of examples of how one indiscretion comes back to haunt.

A week ago, foreigners in the streets of Peking were mobbed by people wanting to tell the stories of army brutality. Now a silence of fear greets the pedestrian.

The occasional garrulous Chinese is quickly intimidated by the arrival of police or local party officials. China is *organised* like a huge collection of tiny cells. Everybody belongs to at least one, often living in the same residential compound with their colleagues at work. For those who do not work, there is always the residence committee.

The communists built this system into a huge bureaucratic pyramid and used it as a means of social revolution. They succeeded because they penetrated down even to the family.

The thought of being betrayed by relatives is as repulsive to Chinese, if not more so, than to other peoples. But it happens here because of the tyranny of the Communist Party.

In a country where everyone has a place, those who are out of place are quickly spotted. In the end Zhou Fengsuo's sister and Xiong Wei's mother probably knew that the students had no chance to escape the law. With one family member caught up in the net, the whole family would suffer a damaging stigma. By taking action to aid the authorities they just may have saved the rest of the family.

Qiao Shi: "social democracy"

Japan, US 'should set up joint economic co-operation charter'

By Peter Montagnon in Tokyo

JAPAN and the US should establish a broad-based joint economic co-operation charter to overcome the strains caused by their large bilateral trade *imbalance, according to* a semi-official report by the Japan Economic Foundation.

The report, sponsored by the Ministry of International Trade and Industry, responds to the call last year by *Mr Mike* Mansfield, then US Ambassador to Japan, for the two countries to negotiate a formal free trade agreement.

The two countries have reached a crossroads because of their mutual distrust arising from bilateral trade friction, the study says. They could either go their separate ways or intensify co-operation across a wide range *of fronts*.

It rejects the idea of a traditional free trade agreement along the lines of that between the US and Canada as being too narrow and liable to be *misconstrued* by the rest of the world as a setback for the multilateral trading system.

The study was completed at the end of last week and distributed to relevant cabinet ministers. "I'm confident that the proposals will be adopted in due course," said Mr Makoto Kuroda, Japan's former trade negotiator, who is now a special adviser to the Long-Term Credit Bank of Japan, and who played a central role in the report's preparation.

Among the guiding principles behind its proposals are a recognition of shared responsi*bility for global economic sta*bility and a firm rejection of the idea of managed trade.

This is the risk inherent in the "result-oriented" approach to bilateral trade discussions now *advocated by many US* expert bodies such as the influential Advisory Committee on Trade Policy and Negotiation, it says.

Instead, the report recommends a twin-track approach of discussion to identify the real impediments to trade, coupled with specific measures on which agreement is easy.

These would include a joint announcement by both countries *of* their intention to reduce to zero all tariffs on industrial goods. The reduction would be non-discriminatory so that all countries would benefit.

Japan and the US should also set up a bilateral trade dispute settlement mechanism along the lines of that already established by the US and Canada, it says.

Separately, they should look at ways of co-ordinating fiscal policy to encourage greater savings in the US and consumption in Japan, while *reviewing* their respective anti-trust laws to reduce cartel privileges in Japan and stimulate joint technology development in the US.

The study says there are many misconceptions in the US about structural impediments to trade with Japan. These could be alleviated by closer contacts, notably between Congress and the Japanese *Diet*.

One area where such misconceptions existed was the Japanese distribution system, which the US has charged is too rigid.

The distribution system may not consitute a barrier to trade, Mr Kuroda said. "At this stage, I wonder whether we have an accurate assessment of the problem. I doubt it."

Hong Kong steps up passports pressure

By John Elliott in Hong Kong

HONG Kong's community and business leaders are launching a series of campaigns this week *aimed at stepping up* pressure on the British government to provide passports for at least 3.24m of the colony's people and possibly almost all the rest of the 5.7m population.

This marks a new mood in Hong Kong which is replacing its three weeks of huge demonstrations in support of the Peking students with carefully planned campaigns to boost the colony in the run-up to 1997 when it returns to Chinese sovreignty.

The first target is to obtain concessions from Britain while the current political tide of interest in Hong Kong is running strongly in the wake of the Peking massacre.

At the same time, leaders are anxious to show China and the rest of the world that Hong Kong has gone back to its normal role of being an efficient and internationally important *business centre, despite a new* and irreversible political awareness which led yesterday to democracy demonstrators erecting a "goddess of democracy" statue in Hong Kong's Victoria Park.

This is intended to shore up confidence in Hong Kong, where there is a feeling of insecurity and isolation after the events in China.

Over the weekend Sir Piers Jacobs, the colony's newly-knighted Financial Secretary, said planning for major projects such as a new airport and port would go ahead to demonstrate the colony's continuing self-confidence.

Yesterday, Mr Martin Lee, a prominent liberal, linked up with 46 other local leaders to launch the Hong Kong People Saving Hong Kong campaign, aimed at persuading the British Government to issue passports carrying a right of abode, to speed implementation of democracy before 1997, and to introduce an immediate Bill of Rights to protect human rights.

Today, Dame Lydia Dunn and Mr Allen Lee, senior members of the Executive and Legislative Councils, leave for London to lobby Mrs Margaret Thatcher, Britain's Prime Minister, and other politicians on the passports issue. British and Chinese business groups are backing this with extensive lobbying in London.

Both the Saving Hong Kong Campaign and Dame Lydia's visit are aimed at building up Hong Kong people's confidence, in an attempt to slow a dramatic increase in potential emigrants seeking passports in other countries.

The number of people asking for preliminary emigration details from the Australian consulate in Hong Kong rocketed last week to a daily peak of more than 1,700 compared with an average of 100 a day one month ago. Similar increases are being reported by the Canadian and other consulates.

Even the US consulate, which does not issue residential papers, has had 1,100 inquiries a day for temporary non-residential visas, compared with its usual 800.

The next campaign will be the compilation of a long list of improvements Hong Kong wants in the Basic Law, which will be the colony's mini-constitution after 1997. Demands will include speeding up the introduction of democracy, limiting the role of the Chinese army, and vesting in Hong Kong the power to declare martial law.

World 'will use 50% more energy by next century'

THE WORLD will be using 50 per cent more energy by early *next century, causing an* inevitable rise in pollution, the International Energy Agency (IEA) said today, Reuter reports from Paris.

Third World and communist nations that cannot afford many environmental safeguards would account for much of the rise in energy use. Fossil fuels – oil, coal and gas – would still be meeting nearly 90 per cent of world needs early next century, with a big jump in the West's dependence on Middle East oil.

"Our current projections imply a world increase in carbon dioxide emissions of 2 per cent a year," Mr George Kowalski, IEA chief economic adviser, said. "Over the next 20 years, it could be 50 per cent."

The IEA said there had been no significant increase in energy efficiency outside the Organisation for Economic Co-operation and Development. Energy demand in developing and communist countries had doubled between 1971-1987.

Aid-India consortium talks start in Paris today

By K.K. Sharma in New Delhi

A TWO-DAY meeting of 12 Western nations and Japan, which together make up the Aid-India consortium organised by the World Bank, begins in Paris today to consider India's needs for concessional assistance in 1989-90.

The meeting will also consider India's aid requirements in the next five years.

The outcome is awaited with anxiety in India because of the country's critical balance of payments position that is worsening because of the widening current account deficit and a heavy external debt burden.

The World Bank has told donor-nations that India's foreign exchange reserves dropped by around \$1.4bn (£823m) in 1988-89. April and May saw a further fall of about \$750m, bringing reserves to below two months' worth of imports.

The Indian Government is trying to deal with the crisis by boosting exports and reducing inessential imports, but the current account deficit – estimated by the World Bank at \$6.2bn in 1989-90 – is not expected to improve significantly as a result.

Taken with the sharp rise in the country's external debt to about 24 per cent of foreign exchange earnings, this has highlighted the need for concessional loans and outright grants – pledges for which are expected to be given by the consortium in the next two days.

The World Bank has recommended India should have continued access to a "reasonable share" of concessional aid. If this is accepted, the consortium is expected to pledge \$6.7bn for 1989-90 against \$6.3bn last year.

Pakistan, India in bid to settle Siachen issue

PAKISTAN and India have agreed to work towards a settlement of the Siachen issue which officials describe as the "test case in normalisation of Indo-Pakistan relations", Christina Lamb reports from Islamabad.

Relations between the two countries have improved since Ms Benazir Bhutto became Prime Minister of Pakistan, and the agreement comes after three days' high-level talks.

The Siachen glacier, the scene of clashes between the two countries, is 21,000 ft up in the Himalayas, making it world's highest and perhaps most expensive battlefield.

The agreement to end the long-standing conflict is based on a redeployment of forces to lessen the chances of conflict, the future positions of the ground forces to be decided by the army authorities of the two countries.

UK NEWS

Employers' association survey shows growth in manufacturing output slowing

Gloomy outlook for industrial order books

By Simon Holberton, Economics Staff

BRITISH manufacturing industry's optimism about exports is at its lowest level since January 1987 and the outlook for total order books remains weak, according to the Confederation of British Industry's latest monthly trends survey.

Despite the gloomy outlook for both foreign and domestic order books which indicate a further weakening in demand, the CBI, the employers' association, points to continued growth in manufacturing output over the next four months although at a much slower rate than in the same period a year ago.

It suggests that fewer manufacturers are intending to raise their prices in the coming four months than when they were last surveyed.

After allowing for those who plan to lower prices (7 per cent), a net 21 per cent of manufacturers intend to raise prices, the same percentage as a year ago but down on the net balance of 25 per cent in May and 30 per cent in April.

For the Government, which last week revised upwards figures for Britain's trade deficit in 1988 and the first three months of this year, the outlook for exports is the least encouraging aspect of the CBI's survey. It appears to show that industry is not responding to the nearly 8 per cent devaluation in the pound since the beginning of the year.

In the first quarter of 1989, the seasonally-adjusted current account deficit was £4.33bn, compared with £4.36bn previously estimated, while last year's deficit was £14.94bn compared with the previous estimate of £14.67bn.

These revisions took account of a deterioration in the UK's invisible export earnings but the CBI survey indicates that physical trade may be under pressure as well. Trade figures for May are due to be released on June 27.

The CBI surveyed 1,418 companies, which are responsible for roughly half of Britain's manufacturing employment and exports. The survey was conducted between May 26 and June 14.

It shows that there has been a build up in manufacturers' stocks with a net 9 per cent of companies holding stocks more than adequate to cope with expected demand.

Manufacturers expect output to continue to grow but the number who believe this is the second lowest in a year. After allowing for those who foresee a fall in output (15 per cent), a net 18 per cent believe it will rise in the coming four months. This compares with 30 per cent a year ago.

Government asked to scrap power station costs system

By Max Wilkinson, Resources Editor

THE GOVERNMENT has been faced with an embarrassing proposal to scrap the system it devised for minimising power station costs in the privatised electricity industry – and to start again with a simpler plan.

Ministers have instructed their advisers, however, not to make any changes which would jeopardise the tight timetable for drawing up contracts between the two generators and 12 distribution monopolies in the run up to its biggest ever asset sale.

The larger part of these contracts must be agreed by the end of the summer, if the industry is to start its dress rehearsal for a private power market in October.

However, some of the experts now drawing up contracts believe that the operating structure on which the terms must be based is so complicated as to be almost unworkable in practice.

One worry is that computer programmes will not be developed to carry out the thousands of transactions per hour required in two simultaneous and interlinked settlement systems. Another is that contracts will need to be excessively complicated if the unusual double decker market envisaged by the Government is to work efficiently.

The complications arise from the decision last year to break up the Central Electricity Generating Board into only two generating companies, instead of the four or five, which many commentators favoured. In theory a spot market would ensure than the power stations would be called into use in reverse order of their running costs – the cheapest always first.

Court to decide on railways strike ban

By Fiona Thompson, Labour Staff

THE National Union of Railwaymen will this afternoon argue in the High Court that it acted entirely within the law in conducting its strike ballot of 70,000 rail workers.

British Rail is seeking an injunction to ban Wednesday's planned 24-hour strike by the NUR on the grounds that the union did not properly conduct its ballot over a rejected 7 per cent pay offer.

On Friday, Mr Paul Watkinson, BR's director of employee relations, said that the corporation had received information that "several hundred" people had not had the opportunity to vote.

The NUR's 10,500 members on London Underground are still set to hold a 24-hour strike on Wednesday over management plans to introduce far reaching changes to working practices.

● Dockers at the three remaining ports still on unofficial strike are this morning expected to call off their action. Their union, the TGWU, today begins its appeal to the House of Lords over a ruling that its dock strike mandate was unlawful.

Warning of conflict in power industry after privatisation

By Fiona Thompson

MR JOHN LYONS, general secretary of the 41,000 strong Engineers' and Managers' Association, has warned his members that there was a high risk of inter-union conflict post electricity privatisation.

The "new circumstances in the industry, with new employers entering, carries a high risk of conflict between ourselves and other unions and even with the TUC [Trades Union Congress] itself," Mr Lyons said in the June issue of his union's journal.

On the decision by the electrical supply membership of the EMA to enter into single union agreements, he said there was no doubt this would create problems "that we do not have at present."

That said, the iron logic of the argument was that in circumstances where new employers were in the driving seat the Association "simply has to be there" if that was the condition for getting recognition for engineers, managers, and scientists.

"For if we are not, others will be," said Mr Lyons. "To the extent that they are successful and we are not, representation of engineers in the enlarged electricity supply industry would become divided.

Both the TGWU general workers' union and the EETPU electricians' union are stepping up their recruitment efforts in the energy sector. Mr Lyons stressed that single union agreements were not the association's preferred option.

ICI may face wage ballot

By Charles Leadbeater, Labour Editor

LEADERS of 29,000 manual workers at Imperial Chemical Industries, Britain's biggest chemical company, yesterday warned they may consider calling a ballot on industrial action unless the company today significantly improves its 7.6 per cent pay offer.

Mr Keith Standring, national chemical officer of the GMB general union said of the possibility of an industrial action ballot: "It all depends on what the company comes up with. It they make a lousy offer, then we could be in a very difficult situation."

A ballot at ICI, which has enjoyed good industrial relations recently, would be extremely unusual and further evidence of increasing tension in pay bargaining in the UK.

The unions have submitted a claim for a 14 per cent increase. Mr Standring, said union officials hoped and expected today's talks would be able to reach a settlement which could be recommended to the unions' members.

The company has agreed to full negotiations over plans for a new payments system which could lead to the introduction of performance-related pay and smoother progression between junior, middle and senior management.

Job sharing schemes seen as spur to business

By Fiona Thompson, Labour Staff

A SURVEY of 37 organisations offering job sharing schemes reports that the majority found the advantages of job sharing far outweighed any problems encountered.

The Industrial Relations Services, an independent research organisation, examined 18 private sector schemes, 16 from the public sector and three others.

The main advantages cited by employers were:

- being able to retain skilled employees;
- easing recruitment problems;
- opening up career paths for women with children;
- the increased flexibility that comes with sharers in terms of cover for peak periods, holidays and sickness; and
- the high motivation among sharers.

The survey says that the high motivation is perhaps due to sharers wishing to prove that the arrangements work.

The sharers can also combine a wider level of experience and ability in a job, bounce ideas off each other and develop different aspects of the work.

Working fewer hours, job sharers tend to bring more enthusiasm to the job, according to personnel managers.

They start their part of the week or day fresher, when a full-timer might be winding down.

On the debit side, the disadvantages mentioned by employers included the possibility of extra recruitment and administration expenses, worries about a lack of continuity, and concern that they may be left with half a job to fill.

However, most organisations contacted by the surveyors said that extra costs were marginal and outweighed by the benefits. Equally, few managers complained about a serious lack of continuity, although many had felt it would be a problem at first.

Job sharing survey, IRS Employment Trends issue 441, 18-20 Highbury Place, London N5 1PQ, price £8.50.

Ministers about to give details of student loan plan

By Richard Waters

THE Government is about to announce details this week of how its controversial student loan scheme – due in 1990 – will be run.

The announcement will follow a long wrangle between financial institutions and Mr Kenneth Baker, Education Secretary.

The Department of Education said yesterday that "constructive negotiations" had been held with banks and building societies over the past few months and that the main details of the scheme had been worked out.

Financial institutions reacted angrily last November to the part they were expected to play in running the student loan scheme, which will make subsidised loans of £420 a year available to students.

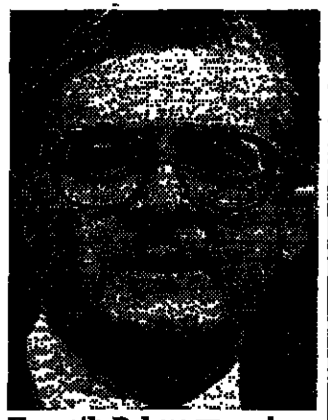
Three sticking points are said by banks to have held up the scheme until now, although the department says it has not deviated from its original timetable of announcing its plans this summer.

Those cover administration of the scheme, who should pay for running it, and who should bear the brunt of any bad debts.

According to one estimate, the scheme would cost £240m a year to run – or £100 for each student. The Government has consistently said that those figures are too high.

The department hinted yesterday that all three points had now been settled, after discussion with the banks. It said the third bone of contention – who would meet bad debts – had been resolved in the white paper last autumn. That said the Government would bear the risk.

Leading banks, however, were cautious yesterday about the Government's plans. According to one official, who attended a meeting between banks on this issue last week: "We were all still at sea over who would pay for it, who would provide the people to run it, and so on."



Kenneth Baker: wrangle with financial institutions

The Government had not made it clear to the banks how the scheme would operate, the official said.

Another said it was unclear who would pick up bad debts, and that this was still an open matter, despite the Department of Education's assurances.

While saying that they did not know what the Government was about to announce, however, the banks appeared optimistic that their original complaints had been heeded.

"As far as we know, the Government's ideas have evolved considerably since the white paper," one said.

Possible ways of running the scheme have been under review by the financial institutions for some months.

At the end of last year they were considering a joint administration centre to which all participating banks and building societies would belong, with each institution offering the loans through its local branches.

BT to run two phone networks in one area

By Hugo Dixon

BRITISH TELECOM will be in the unusual position of running two competing telecommunications networks in the Thames Valley area later this year.

The situation has arisen because BT has been granted the franchise to provide a cable television network in the Reading, Newbury and High Wycombe area. One of the conditions of this franchise was that BT had to offer a telecommunications as well as a television service.

As a result, the 200,000 households in the Thames Valley area will have a choice of receiving a telephone service from BT direct or from BT Vision, its cable subsidiary.

Mr Tony Curry, of the Cable Authority, which is the industry's regulatory body, said: "They are actually going to compete with themselves."

The decision to offer integrated telecommunications and television services could have a big impact on development of the UK's communications infrastructure, although it is still unclear how the project will work.

BT is prevented from broadcasting television through its main telecommunications network because it is feared that it might use its dominant position to drive cable TV companies out of business.

However, along with other cable companies, BT is allowed to combine telecommunications and television where it has a cable franchise.

Previously, BT had not taken advantage of this provision in any of the areas where it has a franchise for cable television.

The decision to do so in the Thames Valley was entirely BT's, Mr Curry said. However, the Cable Authority had decided to spell this out as a condition of BT's franchise to ensure that it kept its promise, he added.

In the past, BT has complained that the ban on using its main network for television was putting it at a disadvantage with cable operators. The rule was holding back development of an advanced communications infrastructure based on fibre-optic cables, because BT could justify the investment only if it could earn extra revenue by providing television.

BT said that it had not yet decided whether the Thames Valley network would be built from fibre-optic cable.

A decision to use fibre-optics could help demonstrate the technology on a large scale, and be an important boost to the country's electronics industry.

Warning of threat to telepoint, Page 8

Taiwan puts squeeze on toolmakers

By Nick Garnett

LOW-COST machine tools imported from Taiwan have virtually wrecked UK pricing structures over the past two years for some standard and lower specification computer controlled machines.

Taiwanese machines have been selling at between 30 and 40 per cent below similar machines supplied in the UK by British and Japanese manufacturers.

Some British companies have lost sales and had profits squeezed by importers of Taiwanese equipment although many UK machine tool factories remain busy because of strong demand for production equipment across Europe.

"Price pressures are coming from Taiwan rather than Japan right now," says Mr Tony Balding, managing director of Beaver, a machine tool maker in Norwich. "It is very difficult to compete on just price alone."

There are some signs that prices for Taiwanese standard milling machines, lathes and machining centres are now being raised substantially because of the strength of the new Taiwanese dollar, which is linked to the US dollar. That has cut, but not eliminated the price gap.

Taiwan is not a big supplier to the UK. In 1988, it sold machine tools worth £17.4m to the UK compared with £104m from West Germany and £102m from Japan, according to the Machine Tool Trades Association.

However, Taiwan moved from tenth largest exporter to the UK in 1986 to sixth in 1987 and 1988. Tough trade restraint arrangements introduced in the US in 1987 encouraged Taiwanese manufacturers to divert to the UK machines built for the US market.

The main Taiwanese companies include Leadwell and Victor in lathes and machining centres, Yam in lathes and Chevalier in grinding machines.

Jones and Shipman in Leicester says it has lost some sales of standard grinding machines to Chevalier although says it is doing well with higher specification machines.

One of the British machines at £10,000 is up against a Taiwanese machine at £6,000 while a larger machine with some automation features at £28,000 has a Taiwanese competitor sold with discount at £16,500.

Bridgeport, also in Leicester, sells a standard milling machine costing £6,000 which is undercut by £1,800 by a Taiwanese machine. However, Bridgeport's production is very high at the moment and it is producing increasing volumes of more sophisticated machines costing up to £125,000.

Dugard in Hove, West Sussex, an importer of Yam and Chevalier machines, says it is now selling more sophisticated Taiwanese computer-controlled machines and has invested heavily in marketing. However, Dugard says Taiwanese equipment is now under cost pressure because of the country's rising currency.

Yamazaki 'happy' after problems

Nick Garnett visits a super-clean tool factory with a private garden

PERSISTENT rumours surfaced last year that production from the first fully-fledged Japanese machine tool plant in Britain was not going according to plan.

Senior managers from Yamazaki's super-clean, high-tech factory in Worcester, which came on stream at the end of 1986, were believed to be getting an earwigging from head office about missed production targets.

"We had some start-up problems but everything is okay now," says Mr Tadaaki Abe, managing director at Worcester. "We are now happy and making a profit from this factory."

The £35m facility, with vast carpeted reception areas and a private garden, was geared to produce up to 1,200 computer-controlled lathes and machining centres a year when fully operational.

It was making 35 machines a month by the middle of 1987 with production expected to rise to about 70 machines a month by the end of last year.

Production is still at about 65 machines a month. However, Mr Abe says the target is to raise this to 75 machines by autumn. "Next year we will be making 90 units though this will necessitate some additional equipment," he says.

One of the reasons for the slower building programme is that Worcester is producing a more complicated mix of machines whose ex-works (rather than retail) prices range from £40,000 to £100,000 and average £55,000.

It was originally planned to produce two models but the company is now making four. Some of these have been the subject of design changes during the short life of Worcester.

The Worcester site employs just over 300 workers, of whom 14 are Japanese, including the engineering manager, production director, engineering technicians, support staff and Mr Abe.

The plant has developed what has become known in the machine tool industry as the "bloody hell" factor. This is a reference to the most usual exclamation from the 4,000 visitors to the plant last year who are not used to seeing in the UK machine tools produced from sophisticated computer-operated machining lines which can run up to 16 hours unmanned.

Visitors can look at these – and load-carrying automated guided vehicles which play taped rock music – from an elevated walkway which runs along the factory walls.

The announcement that the machine tool company with the biggest sales in the world was to start production in the UK unsettled parts of the European machine tool industry. Local content in components immediately became an issue.

Yamazaki says local content, including the wage bill, is now running at between 65 and 70 per cent for most machines.

It buys in from European suppliers many main components such as ballscrews, bearings, and sheetmetal. Of these, most steel comes from the UK, as do ballscrews and hydraulic packs which are purchased from Vickers.

Most castings are also purchased in the UK and one third of these are re-exported by Yamazaki to the company's US production plant because it says its UK castings are so competitive on cost and quality.

It brings in the electronic controls and servo-drives from Japan, but so do most British machine tool suppliers.

The trend on components at Worcester has been partly influenced by the difficulties in getting components from Japan whose suppliers have been stretched coping with domestic demand from machine tool and other engineering sectors.

"Capacity for producing bearings and ballscrews in Japan is stretched to the limit," says Mr Abe.

The company is also having difficulty recruiting skilled labour and now has six apprentices. It also has a team of 14 people in an applications group tailoring machining systems to customer needs.

It has sold machines in so-called cells – where two or more machines are linked – to a few UK companies, including Hardy Spicer, the gearbox maker, and Mono Pumps. The company does not seem keen to rush into supplying more complicated flexible cells.

Talking to Mr Abe, you get the feeling that he is not sure whether some UK machine toolmakers which survived the recession will remain in business because of their questionable investment record.

"Factory efficiency is the result of investment. It is the key element. If you hesitate to invest, you decline."

Soviet deal to make footballs

By David Waller

FERGABROOK, a British distributor of consumer merchandise, is setting up a joint venture in the Soviet Union to manufacture and market footballs and other playballs.

The joint venture partner is Neringa, the Lithuanian Industrial Association. The new company, which will produce more than 2m footballs a year, will be known as Wembley Neringa.

Both parties will have three directors on the board and the UK company will provide plant and training while the Russians will furnish the site in Vilnius.

It is intended that at least a quarter of the production will be exported, mainly to the Eastern bloc.

National Savings fell £232m in May

By Richard Waters

SAVERS took a net £232m out of National Savings last month, according to figures published yesterday.

During May, repayments of capital of £530.6m and interest of £138m exceeded new savings of £436.6m.

The biggest withdrawal was from fixed interest certificates, for which investors were paid a net £200m. Few investment products registered a net inflow of funds, with capital bonds attracting the highest level of new funds at £30.4m.

Qualified accounts show loss of £7.7m for Harvard Securities

By Richard Waters

HARVARD Securities, the over-the-counter securities firm which last year became the most celebrated casualty of the Financial Services Act, has reported a loss of £7.7m for 1987/8 – on a turnover down more than 75 per cent to £46m.

Harvard, the leading OTC firm, failed to gain authorisation under the Act and ceased dealing in securities last September.

The firm's accounts for the year to 30 September 1988 were qualified by joint auditors Peat Marwick McLintock and Chantrey Vellacott in what amounts to a disclaimer of opinion – the most severe qualification open to an auditor.

The losses include costs and provisions of £3.9m relating to the closure of the securities business. The figure would have been £1.9m higher were it not for gains on freehold property.

The auditors say that they are unable to verify £1.5m of the provisions, which relates to expected future costs from winding down the securities business.

They also say that they cannot pass an opinion on £1.4m of an extraordinary provision relating to expected losses on stocks and trade debtors, on top of £2.5m set aside in the normal course of business to cover these items.

Mr Tom Wilmot, Harvard's chairman, says the firm withdrew from securities dealing "because of the unwarranted delay taken by the new regulatory authorities" in considering the case.

According to the directors' report, the delay meant that the group would have been unable to raise enough capital to meet new capital adequacy rules coming into effect on October 1. Concern among clients also led to a sharp fall in business.

Mr Wilmot added: "I am absolutely appalled at the way in which the City have behaved towards our thousands of clients and our client companies . . . There really seems to be something very wrong with the British system of fair play when large institutions can wipe out a competitive industry by over-regulation and questionable tactics."

Harvard's auditors also qualified the accounts over the directors' valuation of stakes in Medimech Holdings, which makes equipment for the armed forces, and Medivest, a medical investment company. These holdings are valued at £2.1m, against an historical cost of £299,000.

The auditors say they are unable to verify the valuation, which is based on projected future earnings. They do not concur with the directors' decision to revalue the holdings.

Building employers see 3% output rise

By John Griffiths

THE BUILDING industry should still achieve 3 per cent growth in output this year in spite of high interest rates and difficulties in the residential market, according to Mr Peter Rainbird, newly-elected chairman of the Building Employers' Confederation.

That compares with growth averaging 8 per cent in each of the past two years. Nevertheless, said Mr Rainbird, trading prospects were still "encouraging."

He hoped that interest rates and inflation would begin to ease later in the year.

Mr Rainbird said even the private housing sector, which had inevitably been hit by higher mortgage rates, was predicting 160,000 housing starts in 1989.

That would be "a very respectable figure indeed."

Mr Rainbird welcomed the overall settlement of just under 9 per cent in the 1989 wages and conditions negotiations with construction unions inside the Building and Civil Engineering Joint Board.

But he expressed concern about wage inflation and said it threatened the economy.

Murdoch studies package to cut price of Sky TV

By Raymond Snoddy

MR RUPERT Murdoch's Sky Television is considering an initiative costing hundreds of millions of pounds to cut the cost of satellite receiving equipment and make it easier for consumers to buy.

As much as £200m could be involved in the initiative, designed to take advantage of the postponement until next year of the launch of the rival five-channel service of British Satellite Broadcasting.

Plans being considered include a single rental package including the cost of equipment, its installation and the subscription for the premium film channel. Price packages are already being test marketed.

A network of installation franchises is being considered, either using the franchises that distribute Mr Murdoch's five national newspapers or setting up a parallel system.

The attempt to speed up the introduction of satellite television in the UK would involve bulk purchasing of up to 1m satellite receivers to drive down the cost of the proposed rental package.

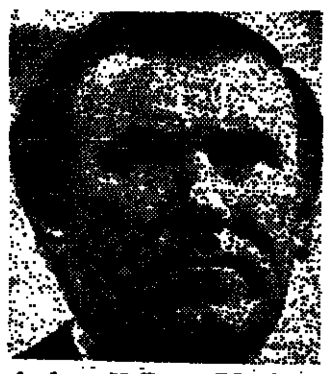
No orders have been placed, but the aim is to try to win the battle for the consumer before BSB, a consortium whose main shareholders include Granada, Bond Corporation, Pearson (publishers of the Financial Times) and Reed International has a chance to respond.

Mr Andrew Neil, editor of The Sunday Times and executive chairman of Sky Television, which launched four channels of satellite television in February, says he is confident that Sky will be available in 1.5m homes by the end of its first year.

That upgrades recent estimates based on planned initiatives and an upturn in sales.

Best estimates at the moment suggest between 90,000-100,000 homes in the UK have their own satellite receiving equipment, not counting those who get their pictures from cable television networks.

A promotion by Mr Murdoch's Today newspaper was considered a success. More than 167,000 readers applied for 10,000 free satellite receivers. Those who were unlucky in the promotion are likely to be offered cut-price deals.


Andrew Neil: confident of reaching 1.5m homes

Initially the Today offer upset dealers, but there are signs that the publicity may have stimulated sales.

Sky says sales of satellite equipment at Dixons, the consumer electronics retailers, have increased from 1,200 to 2,000 a week.

Mr Murdoch's largest-selling daily, The Sun, also has a special offer on satellite equipment.

Readers have been offered a month's free trial, interest-free credit if they decide to buy and the right to return equipment free of charge if they do not want to keep it.

On the first day more than 11,000 Sun readers applied for the free trial which will bring them eight new television channels.

The scale and cost of Mr Murdoch's initiative is likely to be linked to the success of such Today and Sun promotions.

But all the signs are that the chief executive of News International is determined to take maximum advantage of the fact that BSB has had to postpone its launch plans.

If Mr Murdoch is successful in winning a large number of satellite subscribers over the next 12 months it could raise serious questions about BSB's ability to complete the financing of its project.

Britons spend more on domestic holidays

By David Churchill, Leisure Industries Correspondent

BRITONS spent a record £7.85bn on domestic holidays last year, representing a 16 per cent increase on 1987, according to figures from the English Tourist Board.

The rise in spending came in spite of a fall in the number of holiday trips taken in Britain by British residents.

That totalled 130m trips last year, compared with 132m in 1987.

But the rise in spending was partly due to a growth in the number of holidays of four nights or more in Britain – up from 37m in 1987 to 38m last year.

In contrast, the number of short holidays in Britain (three nights or less) fell from 37m to 35m.

The figures were welcomed by tourism chiefs who predicted that 1989 would be an even better year for domestic tourism.

"The indications are that even more people will be holidaying in Britain this year," Mr John East, chief executive of the English Tourist Board, said.

"There has been enormous investment in top-quality attractions and facilities at a time when high mortgage rates and misgivings about air travel are making people think twice about going abroad," he added.

Analysis of the figures in the report shows that half of all Britons stay with a friend or relative when holidaying away from home in Britain. Some 17 per cent use a licensed hotel, while only 6 per cent stay in an unlicensed hotel or guest house.

Travel agents were used by only one in every five Britons when booking their holiday in Britain.

British Tourism Market 1988, ETB, Bromells Road, London, SW4 0BJ, £9.75.

● A summer price war on holiday flights to Canada has been launched by Wardair, the Canadian airline. Wardair is cutting prices by half on round trips to Canada during the summer.

Labour and business at peace in Liverpool

Ian Hamilton Fazey on the council leader joining the development corporation

WITH male unemployment on Merseyside still running at more than one in five, Mr Keva Coombes last week crammed a third job into his overcrowded schedule.

He is already a dawn riser, dashing into a Liverpool city centre office early in the morning to run a £300m-plus budget before starting his paid job as a solicitor. He dashes back to resume the unpaid job in the lunch hour and evenings.

He admits that fitting his new job into the remaining hours will be a push, but Merseyside is relieved that he is going to try, for Mr Coombes is leader of Liverpool City Council and successor to the Militant era of Mr Derek Hatton.

Last week he agreed to serve on the board of the Merseyside Development Corporation, the agency which Mr Michael Heseltine launched as an experiment in urban regeneration in 1980, together with its counterpart in the London docklands.

Liverpool City Council has had no one on the board since Labour won power on the council in 1983. It would have meant conniving with the enemy. The Government used the corporation to get funds into the projects it wanted, while Labour wanted the money to try to regenerate the city through building council houses.

The resulting series of battles led to 47 Labour councillors being surcharged and disqualified from office in 1987.

Mr Coombes, who was leader of Merseyside County Council before it was abolished, was persuaded to join the city council – via a safe by-election.

It was supposed to be a short-term contribution. However, the taint of the Liverpool Militants and his decent, if politically questionable, decision to act as Mr Hatton's solicitor, left him unable to overturn a Conservative majority of only 20 in Hyndburn, Lancashire, in the 1987 General Election.

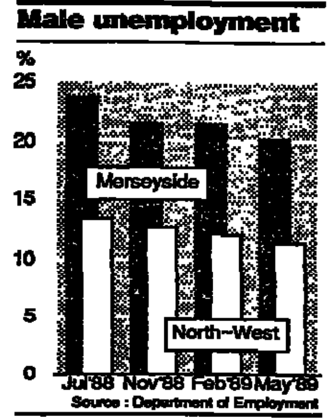
He was – famously – "gobsmacked" into silence on television afterwards, but Merseyside's business leaders see the result as a blessing in disguise.

Mr Keith Robinson, director of Merseyside Chamber of Commerce, says: "In 1986, I was the man who said that Militant had done more damage to the city in three years than Merseyside's labour relations image had done in three decades. I'm now changing my tune. Keva's appointment is a normalisation of relations between the city and business community."

By 1986, conflict had made industrial land on Merseyside almost unmarketable. Business confidence was poor, and manual jobs had not followed the bulldozers into Liverpool. The development corporation had discovered tourism and was forcing retail developers to include office space in their schemes, but male unemployment was running at 26 per cent.

It is still over 20 per cent. The May total of 91,367 men and women jobless was nearly as many as in the whole of Wales – when the overall national rate had dropped to 6.3 per cent.

Male unemployment



Source: Department of Employment

In spite of the image problems, economic structure is the root cause. For nearly 200 years Merseyside relied on its port and related industries, such as shipping and insurance.

As the port declined over the last 70 years, the industry imported to replace its manual jobs contained too many branch factories. Birds Eye's Kirkby food plant is this year's big closure, with 1,000 jobs gone or going.

Moreover, the large number of big employers compared to medium-sized and smaller ones does not foster the entrepreneurship seen in Greater Manchester, West Yorkshire or the West Midlands, where the balance is better. The re-trainable manual skill base is also poor compared with Sheffield's or Tyneside's.

With problems seemingly intractable, the ground was fertile for discord and Militant sowed some sturdy crops. Mr Coombes' decision to join the board of the development corporation is therefore seen as more than symbolic.

Dr John Ritchie, chief executive of the development corporation, says: "Merseyside has had this enormous capacity to self-destruct. This is the first time for 15 years when everything has been pointing in the same direction at the same time."

Mr Coombes relied on practical politics to convince some of his more fundamentalist colleagues. "Politically, we had arguments for some time," he says. "Some councillors were quite strongly opposed on the grounds that it was an appointed, not elected body.

"But it's there, and certainly will be until the next general election, and maybe even after that. It's had its boundaries extended, giving it planning powers over more of the city, and is getting more influential in housing matters. It isn't going to go away. Far better to be on the inside arguing our corner.

"The other argument is that it is better that the development corporation get something, than that the money should stay in the Treasury. It certainly isn't going to come to the city council. That was the clincher. That was the trade unions' view as well: better to be on the inside than to pretend it doesn't exist."

Ironically, the attack on the development corporation has now switched from the extreme left to the right. Professor Patrick Minford, Liverpool University's monetarist economist, served on the board from 1987 but resigned two months ago.

He says that the corporation missed the chance to create 1,000 manual jobs in Birkenhead by turning down a power station and deep-water berth in favour of a mixed development of light industrial, commercial and residential buildings for the waterfront.

The irony he sees is that manual unemployment is over 25 per cent, while white-collar joblessness is down to 5 per cent – with skilled office workers having to be imported. Mr Coombes says there is "much more than a grain of truth" in what Prof Minford says, and he will be making the point at board meetings.

Dr Ritchie says Merseyside cannot expect to find enough manual jobs in an age of automation and high technology. Training is the only long-term answer. The corporation has been funding and running training agencies for four years.

"People now realise that when jobs come up they have to be in the queue with a skill and with the right attitude to employment. It's a crucial thing in offering development opportunities in the 1990s. I know that Mr Coombes will support us on that," Dr Ritchie says.

Brewers say pub choice satisfies customers

By Lisa Wood

BREWERS go over to the offensive today with the publication of an opinion poll saying that most people are satisfied with the choice of pubs and beers.

Brewers are fiercely opposing implementation of recommendations in the recent report by the Monopolies and Mergers Commission on their industry. The report was critical of the choice of beers available in individual pubs and the prices charged for them.

The Brewers' Society said: "The brewing industry has been accused by the MMC of operating an industry structure which works against the public's interests.

"The survey shows conclusively that the public is highly satisfied with the choice of pubs and beers in the UK and the leisure facilities and value for money the pub offers."

The Brewers' Society also said its poll challenged the findings of a 1987 survey carried out by the Consumers' Association, alleging that consumers were dissatisfied with British pubs and the choice of drinks they offered.

The Mori poll of a sample of 2,087 people carried out for the Brewers' Society found that 65 per cent of those questioned were satisfied with the choice of pubs in their locality, and that only 20 per cent were dissatisfied.

About 62 per cent of people were satisfied with the variety of beer available in the pubs they used, while 10 per cent were dissatisfied.

The poll also shows that 40 per cent of people believe pubs are more pleasant to visit than they were a few years ago, compared with 26 per cent who said they were less pleasant and 27 per cent who said they were about the same.

The survey also said people thought pubs were second only to restaurants as value for money on an evening out.

● Lord Young, the Trade and Industry Secretary, will this week issue formal invitations to the country's six largest brewers to discuss a variation on the MMC recommendation that no brewer should be able to own more than 2,000 pubs.

The new option – that large brewers should be able to tie a fixed number of pubs with the rest operated on an arms-length basis free to sell any beers they want – is opposed by the Brewers' Society.


Lord Young: proposing alternative for brewers

UK NEWS

Output of cars for export rises by almost 48%

By John Griffiths

PRODUCTION of cars destined for export has risen by nearly half this year compared with the first five months of 1988, mainly because more Peugeot Talbot and Nissan cars were sent to the Continent.

The trend accelerated in May, with output for export surging by 59.65 per cent to 22,593, compared with 14,151 in May 1988, according to provisional statistics from the Department of Trade and Industry.

The May increase means that in the first five months of this year production for export is up 47.65 per cent to 126,372 units compared with 85,588 units in the comparable period last year.

As a result, the share of total production taken by export-destined cars has risen to 21.39 per cent, from 16.32 per cent in the first five months of last year.

Total production so far this year is also up, by 12.67 per cent, at 590,750 compared with 524,320 a year ago.

Those figures help to reinforce forecasts by the Society of Motor Manufacturers and Traders that the UK is en route to total car output of more than 2m a year by the mid-1990s. That compares with 1.23m last year and a record output of 1.92m cars in 1972.

Total output in May, at 113,898, was 8.3 per cent higher than the previous May's 105,083.

However, production for the UK domestic market this year has advanced much more slowly. Output for UK consumption rose by less than half a per cent last month compared with a year ago, to 91,305 from 90,932.

The 5.76 per cent increase in the first five months of the year, to 463,988 from 438,732 in the comparable period a year ago, is also largely attributable to the absence of disruption in Ford's production this year. It lost production of about 35,000 cars during a two-week strike last year.

In spite of the large percentage increases in export production, there is little optimism in the industry that it will have an early impact on the UK's large balance of trade deficit in vehicles and motor products, which reached a record £1.65bn in the first quarter of this year. That is partly because imports of cars continue far to outstrip exports.

Britain is heading this year for a record new car market for the fifth year in a row – the SMMT forecasts 2.4m sales. But 55.84 per cent of the 1.021m cars sold in the first five months of the year were imports – in unit terms, more than 570,000. That compares with an import share of 54.64 per cent, representing just over 511,000 units, in the first five months of last year.

The DTI statistics show that total output of commercial vehicles last month was 4.75 per cent higher than a year ago at 28,758 (27,453), but for the year to date 24.17 per cent higher at 150,045 (120,833). However, last year's output was sharply reduced by the Ford strike.

Production for export was up slightly last month compared with a year ago, at 8,384 from 8,198. But it was up much more sharply for the year to date – by 32.55 per cent, to 43,363 from 32,714.

That means that the export share of production so far this year has risen to 28.89 per cent, from 27 per cent in the first five months of 1988.

Fast pace of change 'threatens telepoint'

By Terry Dodsworth, Industrial Editor

PA CONSULTING Group, one of the pioneers in developing the mobile telephone industry, has told the Government that the market could be undermined by plans to press ahead with the next generation of technology.

In a letter to Lord Young, the Industry Secretary, PA argues that proposals to award two new licences in the developing area of personal communications pose "a real threat" to successful development of the fledgling telepoint system.

Telepoint networks, which allow subscribers to connect with the conventional telephone system using small pocket radio phones, are due to be launched later this year. Introduction is already behind schedule.

Mr Peter Copping, executive director of PA's Computers and Telecommunications division, says the four new telepoint operators are already under pressure because they believe the market will be highly competitive.

While the car phone sector has flourished with only two licensed operators, some industrialists believe that the telepoint market may not prove large enough to support four enterprises.

The problem would be made even more acute, Mr Copping says, if the authorities license two further companies to set up more sophisticated mobile systems in the early 1990s.

"The policy is creating uncertainty about the market," he says. "You have to give the new telepoint entrants a chance rather than decimate the market."

PA's letter to Lord Young was prompted by government calls for industry to advance proposals for a so-called personal communications system.

The Department of Trade and Industry is interested in developing this technology as a means of bringing a low-cost two-way mobile telephone service to the market.

The idea is to introduce a service which is cheaper than the current cellular car phone networks, with handsets small enough to be carried around by users.

Although the technology for such a system will take some time to develop, PA believes that if the Government pushes the industry too hard in this direction it could undercut telepoint.

One issue is that telepoint is less sophisticated, allowing users to make calls but not to receive them. Another is the question of resources in the UK mobile telephone industry, now very stretched because of the pace of development.

Mr Copping's view is that because of the problems the Government should put the main emphasis of policy on developing telepoint.

Rather than going straight from telepoint to the personal communications system, he says, the authorities should aim to add more functions to telepoint. For example, it could be developed for two-way use, by incorporating a paging device to alert subscribers to incoming calls.

The Tube's response to overcrowding: raise fares

Rachel Johnson on the challenge of growth in LRT

HERE'S the good news for Tube travellers. London Underground is tackling its biggest problem – overcrowding – which has now reached dangerous levels.

Mr Wilfrid Newton, chairman of London Regional Transport, admitted as much when he told MPs on the Commons transport committee that it was "no longer possible to crowd more people in."

Mr Denis Tunnicliffe, managing director of London Underground, put it another way. The morning peak period, he said, was beginning to spread over the day. The marginally less intense evening rush hour was becoming "more peaky."

Take a few examples:

● Tubes sometimes do not stop at stations because trains and platforms are so packed that stopping would be dangerous.

● Stations are being closed to incoming passengers in the morning.

● Escalators are either stopped, or reversed, in order to stop passengers piling on to crowded platforms and move people quickly out of crowded stations.

Even if passengers can get onto the trains, they find themselves wedged together in airless proximity. London Underground is recognising that unless something is done, "a difficult situation will become intolerable."

Now for the bad news. London Underground's proposed solution to the problem, outlined to the Commons transport select committee, is to raise fares to such high levels that people are forced off the system.

The reasoning behind the proposed increases has a superficial logic. The phenomenal growth of passenger traffic on the Underground – about 70 per cent since 1983 – has been partly stimulated by the introduction of the zonal Travelcards, which allow travel on both buses and tubes.

Making Travelcards more difficult to acquire by increasing their cost would cut down on usage.

Also, increased revenues from fares would pay for essential upgrading in the Underground network, such as the replacement of rolling-stock and other capital equipment, Mr Newton says. This extra revenue would come on top of the £700m investment planned to improve the busy Northern and Central lines.

MPS ARE to summon the top management of London Regional Transport back to the Commons following its disclosure of plans for steep fare rises on the Underground.

Mr Wilfrid Newton, chairman of LRT, and Mr Denis Tunnicliffe, managing director of London Underground, are being recalled by the all-party transport committee for further questioning about their proposals to use pricing mechanisms to constrain growth in the number of people using the Underground.

It is rare for a committee to ask witnesses back after routine meetings, said Mrs Gwyneth Dunwoody, a Labour member of the committee.

The MPs will ask Mr Newton and Mr Tunnicliffe whether "pricing people off the Underground" is the most sensible way to combat dangerous overcrowding, Mrs Dunwoody said.

Mr Paul Channon, the Transport Secretary, has expressed his doubts about LRT's proposals. "I would have to hear convincing arguments from London Underground before I agreed to pricing people off the Underground," he said.

Passengers are unlikely to approve of this logic. First, the primary influence of growth on the Underground is the expansion of employment in the capital, according to Mr Paul Mitchell, from the London Chamber of Commerce. More people are commuting into the capital to work.

"The number of bodies crossing the boundary of the Circle Line grew 9 per cent since 1984." These people, he says, are dependent on the Underground for their mobility in London – and their numbers are set to grow throughout the 1990s.

Second, if passengers are forced off the Underground, where will they go? Mr Newton suggested buses and cars. Those used to waiting for buses, and then being immobilised in traffic jams, are unlikely to value that as an alternative.

Traffic speeds in the capital are slowing every year. This week a further fall was announced, to a morning average of 11.8 mph – the speed of a horse and cart.

The London Regional Passenger Committee, the statutory body answerable to the Government and public on transport issues, doubts that the capital's 4,800 buses could be wheeled on to provide efficient transport for whatever proportion of the 500,000 daily tube travellers are priced away.

The committee says LRT should not be considering a short-term, palliative measure to such a long-term problem. Instead, it should be attending to London's transport needs as a whole.

The lack of an "integrated transport policy" has been a criticism levelled against LRT since 1984, when it was charged with running transport on an increasingly commercial basis while still being responsible for planning and co-ordination.

It agrees with the suggestion of the transport committee, which is urging LRT to learn from the example of other urban transit systems, which are solving problems with integrated, inter-modal policies – not pricing mechanisms.

In Hamburg, for example, all public transport is run by a transit authority which co-ordinates bus, metro, ferry, urban and regional rail services.

In contrast, most LRT operations are conducted through subsidiaries, and the deregulation of buses in London, planned for 1993, is threatening further integration of transport.

A Commons team visiting Boston, Washington and San Francisco passenger transport executives found that the US approach to congestion was the opposite of London's.

In San Francisco, the authority is deliberately pursuing a policy of making rail cheaper so people leave roads, where parking fines and tolls are being stepped up. This has resulted in a 35 per cent switch to rail at the expense of road.

"Ideally, what people want is more rail capacity, not to be driven off rail," said Mr Rufus Barnes of the passenger committee. But new rail lines will take ten years to plan and construct, while raising fares requires only the approval of the Transport Secretary.

There is some light at the end of the tunnel for Tube travellers. The Transport Department is very keen to build crossrail links for London, which the Central London Rail Study said would do much to relieve congestion.

SD-Scicon wins £4m order for EC system

By Alan Cane

COMPUTER automation is about to overtake the newly elected members of the European Parliament.

SD-Scicon, the UK's largest computing services company, has won a 5.9m Ecu (£4m) contract to develop, instal and operate a computer system to connect all 518 MEPs in a Community-wide information network.

SD-Scicon won the contract after two years of discussion and in competition with at least 50 companies. The short-list included International Computers of the UK and Siemens of West Germany.

The contract is medium-sized in terms of computer projects but carries high prestige. Successful completion will leave SD-Scicon well placed in the European market for value-added data services, which is expected to be worth more than £2.5bn by 1993.

Called Ovide (Organisation du Videotex du Deputé Européen), the network should go live towards the end of this year.

The UK company will be the prime contractor in establishing the network, which will link 12 national videotex systems.

Most of them will use different telecommunication standards. Groupe Bull of France will provide the computer hardware for the system.

Ovide will give MEPs access to a central information bank, which will store details of parliamentary proceedings, a parliamentary calendar, briefings on current issues and European statistics.

Perhaps in recognition of the MEPs' wanderings between the European Parliament's principal locations in Strasbourg, Brussels and Luxembourg, the information bank will also include train and flight timetables.

Videotex technology, similar to the British Prestel and French Minitel system, was chosen because it was cheap and easy for non-experts to use.

The European Parliament will provide financial assistance to MEPs to buy Prestel-type terminals or personal computers to access the service.

After launch, the service will be opened to the public at large to provide faster communication between administrative bodies in each member state and the European Parliament.

Rolls' orders and options this year reach £1.5bn

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE, the aerospace group, has won orders and options so far this year for more than 700 civil engines, worth well over £1.5bn.

With the subsequent sales of spares over the lives of these engines in service, the ultimate value to Rolls-Royce could reach £3bn.

In a round-up of its activities this year, Rolls-Royce said its total order book for civil and military engines stood at more than £5bn.

Rolls-Royce has received orders for 188 Tay engines for use in the Dutch Fokker 100 airliner, with options on another 180 engines.

In the RB-211 family of big-thrust engines, it has won 148 orders and 24 options for the 535-E4 engines in the Boeing 757 airliner; 61 orders and 27 options for the 524G and H engines in Boeing 767s and 747s, and 38 orders and 56 options for the 524L (now called the Trent), in the McDonnell Douglas MD-11 tri-jet and Airbus A-330 twin-engined airliner.

Rolls-Royce said the orders for the Trent were particularly important, since Air Europe's choice of it for the MD-11 airliner represented the launch order for what will be the most powerful jet engine in the world when it enters service in the early 1990s, starting at 65,000 lb thrust and capable of growth to over 80,000 lb.

The Trent has also been chosen by Cathay Pacific for its Airbus A-330 airliners, the first time a Rolls-Royce engine has been specified for an Airbus aircraft.

All these shares having been sold, this announcement appears as a matter of record only.

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June, 1989

CONSTRUCTION CONTRACTS

New York offices

LYNTON, GREYCOAT and SIR ROBERT McALPINE AND SONS, have started work on a 22-storey office block at 546 Fifth Avenue, New York. The building will provide 175,000 sq ft of office space and a ground floor banking hall. The cost of the entire project is about $75m. As the model shows, the building will have a glass-clad elevation to take advantage of the site which benefits from frontages to both Fifth Avenue and 45th Street. Located close to the Rockefeller Centre complex and within a few minutes walk of Grand Central Station, the developers expect that the building will attract professional firms and international banks. The banking hall will be occupied by Seamans Bank for Savings. The marble entrance foyer will contain a water feature. The project is to be completed in the summer of 1990.

Biggest B&Q supercentre at Brighton

M J GLEESON GROUP has orders worth over £11m. At Brighton the company is constructing the largest B&Q Supercentre complex to be built in the UK. The contract comprises two retail buildings with a total floor area of 70,000 sq ft; a 10,000 sq ft open-air garden centre, a service yard, access road, and 294-space customer car park, and widening the main A27 Lewes road. In the Bricklayers Arms area of south-east London, Gleeson is building six single-storey industrial units, together with two two-storey office blocks, for Charterhouse Estates. The £4.8m development will provide nearly 12,000 sq metres. For the London Borough of Sutton, the company is undertaking a £3m contract for low-rise sheltered housing comprising 50 single-bedroom flats, two bungalows for disabled people, and two houses for wardens, as well as access roads and car parking spaces.

Gynaecology unit at Bristol hospital

FAIRCLOUGH BUILDING, part of AMEC, has landed a £5m contract for a gynaecology unit at Bristol Maternity Hospital.

On behalf of the South Western Regional Health Authority, the company's Bristol regional office will provide a gynaecological extension consisting of two 28-bed wards, two operating theatres, an out-patients department and car park beneath the building.

Included in the contract is refurbishment work to form new staff changing facilities, a pharmacy, and "on-call" doctors rooms, together with physiotherapy unit and obstetric clinic. A main entrance and hospital shop will also be built.

All services are included in the contract which began at the end of May with completion scheduled for mid-April 1991.

Wiltshier builds £15m West End block

WILTSHIER CONSTRUCTION has been awarded two contracts, together worth over £22m.

The larger project, at £15m, is the construction of a six-storey office complex in London's West End for The Wardour Street Partnership. Work starts later this year and is expected to take two years to complete. Following demolition, the new building will be a steel-framed stone clad structure, with atrium and climbing lifts.

For Norwich Union Pensions Management the company is building the £7.4m five-storey Liverpool House office development in Eldon Street in the City of London. The building will have a concrete frame, and a stone and brick facade which replicates the original block. Construction has started and will take 96 weeks to complete.

£20m orders won by Willmott Dixon

Contracts awarded to companies in the WILLMOTT DIXON BUILDING group total almost £20m.

Eleven contracts have been awarded to six of the Willmott Dixon companies. One of them, Willmott Dixon Construction, of Shefford in Bedfordshire, has four contracts amounting to more than £7m. The largest, worth around £3.2m, involves a five-storey office block in Luton for Martin Brent Developments. The company has also started work on building 11 shops with offices in Waltham Cross High Street for Audit & General Developments. The contract is worth about £1.9m.

Willmott Dixon Housing, also of Shefford, has two contracts together valued at £4.7m. One, for Luton Borough Council, is worth £2.4m, and is for 14 flats, 12 bungalows and 34 sheltered units. The other, worth £1.3m, involves building 16 flats and nine houses for Circle 33 Housing Trust at Waltham Forest.

Willmott Dixon Anglia of Norwich has also started work on two new contracts.

They are a £3.3m order to build a civic centre for North Norfolk District Council at Cromer, and a £927,000 project for Harteagle for the construction of a four-storey block of 25 flats, with a two-storey car park, also in Cromer.

Hayes-based Willmott Dixon Western is working on a contract for Royal Mail Parcels for a £2.4m regional consignment centre at Woking.

Willmott Dixon Design and Build of Cambridge has been awarded a £1.4m contract for five retail warehouse units at the East Ipswich Retail Park by the Churchmanor Property Company.

Leisure centre at Thomas Cook's HQ

TARMAC CONSTRUCTION has started building a £3.5m leisure centre at the Peterborough headquarters of the Thomas Cook Group. Work on the project, at Thorpe Wood, is scheduled for completion next summer.

The centre will have a 25-metre pool, training pool, jacuzzi, sauna, badminton courts, gymnasium, tennis and squash courts, together with a recreational area, including bar and refreshment facilities. The project includes a day nursery for children aged up to five, and an on-site dormitory block for employees visiting the headquarters from around the UK or overseas.

Ian Thompson, former European and Commonwealth marathon gold medallist, is overseeing the leisure centre's construction and will become the manager.

Other contracts, worth more than £10m, have been awarded. They include an office block at Mitcham, Surrey, for Urban Land (£2m); altering and refurbishing premises at Sheffield for Midland Bank (£1.4m); and refurbishing a mill at Lancaster, for Lancashire Enterprises (White Cross) (£620,000).

Alterations and extensions at Thame, Oxfordshire, for Leyland Daf, are worth £2.4m. Work has started and is scheduled for completion at the end of the year.

Further projects include fitting out a store at Crown Point Retail Park, Leeds, for Childrens World (£971,000); and two-storey offices at Southmead Hospital, Bristol, for Southmead Health Authority (£788,000).

Orders awarded to the company's contract housing division, include work on local authority homes at Dewsbury (£1.7m); Seaforth, Merseyside (£1m); St Helen's (£1.9m); Taunton (£1.4m); and Glossop, Derbyshire (£1.2m).

Replacing an 18th century building

WALTER LILLEY & CO has been awarded a £4m contract to rebuild 8-11 The Crescent, London, EC3, for Arundell House (City).

Built by the architect George Dance in the 18th century, The Crescent was badly damaged during World War 2 and was rebuilt during the 1950s.

The contract involves demolition, followed by the erection of offices which, the company says, will reflect the elegance of their surroundings.

Building is to start next month. During the next few weeks demolition will stop to enable archeologists to excavate close to the Roman wall, at the rear of the site.

The five-storey development will provide 32,400 sq ft of offices and is scheduled for completion in 1991.

More office blocks in City of London

McLAUGHLIN & HARVEY has secured a total of £27m in construction contracts during May/June. The larger projects include the following.

Work has started on an eight-storey office at 4-7 Chiswell Street, London, for Great Portland Estates, worth £8.4m, with a period on site of 91 weeks. The building has a reinforced concrete frame and floors carried on reinforced concrete piled foundations. The office areas are air conditioned.

An office/retail development for Sun Life Properties at St Marks Hill, Surbiton, Surrey, is valued at £7.1m. The works comprise a four/five storey building with basement area. Upper floors are offices, with retail units and a public house on the ground floor. Completion is in 77 weeks.

A contract from MEPC is for building a five-storey office at 69 Carter Lane, London, costing £5.4m. Work will last 78 weeks. Construction is in reinforced concrete frame with flat floor and roof slabs, on a reinforced concrete raft. Elevations are of cavity wall construction with a facing brick outer skin. Windows are double-glazed aluminium units. The office areas are air conditioned.

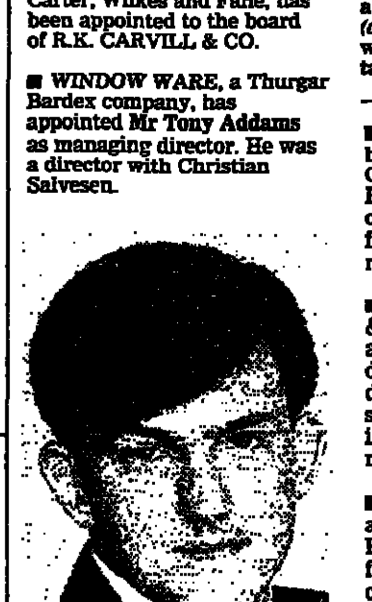
APPOINTMENTS

Director of Alcan Offshore

■ Mr Bob Kay has been appointed director of ALCAN OFFSHORE, a British Alcan subsidiary which markets aluminium materials for use in structures for the offshore oil and gas industry. He was managing director of British Alcan Building Products.

■ Mr Peter A. English, formerly deputy chairman of Carter, Wilkes and Fane, has been appointed to the board of R.K. CARVILL & CO.

■ WINDOW WARE, a Thurgar Bardex company, has appointed Mr Tony Addams as managing director. He was a director with Christian Salvesen.



Mr Tony Burton (above) has been appointed land director of ALFRED McALPINE HOMES SOUTHERN, Southampton.

TRIPLEX LLOYD has appointed Mr John Foley (above) as finance director. He was director of treasury and taxation at Foseco.

■ LADBROKE RACING, betting shop arm of Ladbroke Group, has appointed Mr Chris Borkowski to the new post of property director. He joins from Unipart where he was retail development director.

■ BEACON BROADCASTING & COMMUNICATIONS has appointed Lord Bradford as deputy chairman. He is a director and major shareholder, and was instrumental in the company's recent management buy-out.

■ EMI RECORDS has appointed Ms Margaret Poulton as chief accountant from July 1. She was financial controller of EMI Music.

■ Former Volvo Trucks (GB) marketing manager, Mr Sandy Young, has joined AWD TRUCKS as UK sales director, taking over from Mr Vic Wright who has been appointed to the new post of sales development director.

DIARY DATES

PARLIAMENTARY

Today

Commons: Social and Liberal Democrat inspired debates on Transport investment and Civil Liberties and a Bill of Rights. Pesticides (Fees and Enforcement) Bill, remaining stages.
Lords: Electricity Bill, committee. Motions on Civil Jurisdiction and Judgments Act, 1982 order and the set-aside (Amendment) regulations, 1989.
Select committees: Public Accounts: Subject, Manpower planning in the Civil Service; Witnesses, Sir Anthony Battishill, chairman, Board of Inland Revenue, and Sir Clive Whitmore, permanent secretary, Home Office (Room 16, 4:30 p.m.)
Environment: Subject, Contaminated land; witness, McKenna and Company (Room 21, 5:15p.m.)

Tomorrow

Commons: Self-Governing Schools (Scotland) Bill, remaining stages. Motion on immigration rules changes.Lords:Licensing (Amendment) Bill, third reading. Schizophrenia After-Care Bill, report. Control of Smoke Pollution Bill, report.Committee on Private Bill: City of London (Various Powers) (Room 6, 11:00a.m.)

Wednesday

Commons: Debate on Opposition motion on Food Safety, research and the nation's health. Local Government and Housing Bill, third reading. Ways and Means resolutions on the Finance Bill. Motions on Scottish Social Security and Community Charge regulations.
Lords: Debate on Hong Kong. Debate on child care facilities and care of the elderly.
Select committees: Foreign affairs: Subject, Operation of the single act; witness, Mrs Lynda Chalker, MP, Minister of State for Foreign and Commonwealth Affairs. (Room 15, 10:30a.m.)
Trade and Industry: Subject, Co-Com: witness, Dr Stephen Bryen (Room 21, 10:45a.m.)
Treasury and Civil Service: Subject, Developments in the next steps programme: witnesses, Central Council of Civil Service Unions, and Treasury officials (Room 18, 11:00a.m.)
Employment: Subject, Part-Time Employment; witnesses, Prof Richard Disney and J. Sainsbury plc (Room 20, 4:15p.m.)
Foreign Affairs: Subject, Aid Policy; witness, Chris Patten, MP, Overseas Aid Minister (Room 15, 4:15p.m.)
Public accounts: Subject, Housing benefit; witness, Mrs Ann Bowfell, Social Security Department (Room 16, 4:15p.m.)
Transport: Subject, Roads for the future; witness, Rt Hon Paul Channon, MP, Transport Secretary (Room 17, 4:15p.m.)
Consolidation Bills: Subject, Statute law (repeals) Bill and Draft Limitation Northern Ireland Order: witnesses, Frank Streeton, Law Commission; Ralph Erskine, Parliamentary Draughtsmen's Office, Stormont. (Room 4, 4:30p.m.)
Social Services: Subject, Spending on Social Security; witness, Judge John Byrt, President, Social Security Appeals Tribunals (Room 21, 4:30p.m.)
Treasury and Civil Service: Subject, Public spending and estimates; witnesses, Customs and Excise, and Civil Service Commission. (Room 8, 4:30p.m.)
Procedure: Subject, Scrutiny of Euro Legislation; witness, Rt Hon Terence Higgins, MP (Room 18, 6:00p.m.)

Thursday

Commons:Until 7p.m. motion on Northern Ireland Act, 1974 (interim period extension) order. Motion on appropriation (No 2) Northern Ireland Order.
Lords: Social Security Bill, committee. Hearing Aid Council (Amendment) Bill and International Parliamentary Organisations (Registration) Bill, committee.
Committee on Private Bill:City of London (various powers) (Room 6, 10:30a.m.)

Friday

Commons: Private members' motions.Lords: Electricity Bill, committee.

Business and management conferences

June 19-21
Semiconductor Equipment and Materials International's industry forecast conference (01-353 8807)
Hotel Martinez, Cannes

June 19-21
The Economist: Making and managing change and innovation (01-839 7000)
Grand Hotel Saltsjobaden, near Stockholm

June 22-23
The Association of Corporate Treasurers: Two-day conference and exhibition on information technology and the treasurer (01-936 2354)
Novotel London

June 22-23
British Research International: Crisis facing the multilateral lending institutions in the 1990's: fact of fiction? (01-637 4383)
Cafe Royal, London

June 23
Motor Transport: Setting up in Europe for transport operators. Establishing a base in mainland Europe by acquisition or merger (01-661 3327)
Heathrow Penta Hotel, London

June 26-27
Financial Times Conferences: World Gold Conference (01-925 2323)
Lugano

June 26
IOC: Europe 1992 – The property investment market (01-222 7000)
Cavendish Conference Centre, London

June 26-27
Financial Times Conferences: The publishing industry in the 90's (01-925 2323)
Hotel Inter-Continental, London

June 27
CBI/Devlin & Partners: Total quality: Fact of fiction? (01-379 7400)
Centre Point, London

June 27
Oracle Business Information: The practical implications of running PEPS (01-727 3503)
Portman Hotel, London

June 29
Tolley Conferences: Tax planning for marriage and marriage breakdown (01-680 5682)
London Press Centre

June 29
Confederation of British Industry annual conference (01-379 7400)
Centre Point, London

July 3-4
Financial Times Conferences: The outlook for European petrochemicals (01-925 2323)
Hotel Inter-Continental, London

July 10-11
Financial Times Conferences: Telecommunications and the European business market (01-925 2323)
Hotel Inter-Continental, London

July 11
Hawkmere: Insolvency and the courts – Insolvency inspired litigation (01-824 8257)
Cavendish Conference Centre, London

Trade Fairs and Exhibitions: UK

June 21-23
Personal Investment Marketing Show (01-948 5166)
NEC, Birmingham

June 30-July 2
Select Investment Show (06333 76626)
Southampton

July 3-6
Royal Show (0203 696969)
Kenilworth

July 4-6
Fluid Power and Transmission Exhibition – FLUIDTRANS (0923 226210)
Olympia

July 11-13
International Advanced Material & Process Engineering Exhibition and Conference (04868 21231)
NEC, Birmingham

July 16-20
Gift Fair (0282 867153)
Harrogate

July 17-19
Mobile Satellite Communications Exhibition (01-868 4466)
Queen Elizabeth II Conference Centre, London

July 20-23
Antiques and Fine Arts Fair (061-832 6779)
G-Mex Centre, Manchester

July 25-30
British Music Fair (01-730 7852)
Olympia

August 13-17
Gifts Fair (0473 622093)
Hove Town Hall

Overseas Exhibitions

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566)
Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8989)
Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777)
Atlanta

June 25-28
Computer Assisted Radiology international Symposium and Specialist Exhibition (01-920 7251)
Berlin

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303)
Brussels

July 6-8
International Professional Broadcasting Recording Public Address Exhibition – PRO AUDIOASIA (0494 729406)
Hong Kong

July 18-19
Cologne Fashion Fairs - international Trend Show (01-930 7251)
Cologne

July 27-30
International Furniture Fair & Furniture Supplies Exhibition (0494 729406)
Bangkok

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY

COMPANY MEETINGS-
Hammerson, 100 Park Lane, W., 12.00
BOARD MEETINGS-
Finals:
BET
Bulmer (H. P.)
Cassidy Brothers
City Gate Estates
Erskine House
European Colour
Hambros
Hewetson
Hobson
ML Hldgs.
Melville Street Invs.
Reject Shop
Renold
Sterling Publishing
TR Technology
Interims:
Crest Nicholson
Moorfield Estates
DIVIDEND AND INTEREST PAYMENTS-
EAB Finance NV Gtd. Fltg. Rate Nts. 1998 $246.46
Hammerson Prop. Inv. & Dev. Corp. 14p
Do. A 14p
Narborough Plants. 0.5p
Olives Hldgs. 7.5p
Suter 6p
Texaco $4
Tomkinsons 3.5p
UCL Group 2p

TOMORROW

COMPANY MEETINGS-
English National Inv. Co., 3 Finsbury Avenue, E.C., 12.00
London & Overseas Freighters, Waldorf Hotel, Aldwych, W.C., 11.30
Runciman (Walter), 52 Leadenhall Street, E.C., 12.00
Sama Group, 22 Long Acre, W.C., 10.00
Sovereign Oil & Gas, Baltic Exchange, 14-20 St. Mary Axe, E.C., 10.30
Third Mile Inv., The Institute of Chartered Accountants, Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
BOARD MEETINGS-
Finals:
Blacks Leisure
Christie
Continuous Stationery
England (J.)
GEI
Kalamazoo
Markheath Securities
Meyer Intl.
NSM
Osborne & Little
Reliance Security
Volex
Wellman
Welpac
Interims:
Lovell (Y. J.)
DIVIDEND AND INTEREST PAYMENTS-
Carr's Milling Inds. 1.75p
Enron Corp. 62cts.
Essex Water Co. 3½% Perp. Deb. 1.75p
Do. 4% Perp. Deb. 2pc.
Do. 5% Deb. 89/91 2.5pc.
Do. 5% Perp. Deb. 2.5pc.
Do. 7% Deb. 87/89 3.5pc.
Do. 7¾% Deb. 91/93 3.875pc.
Do. 8% Deb. 91/93 4pc.
Do. 10% Deb. 92/94 5pc.
Do. 10½% Deb. 94/96 5.25pc.
Keppel Corp. S$0.06
Korea Exchange Bank Fltg. Rate Nts. 1995 £169.35
Limited Inc. 8cts.
M & G American Recovery Fd. 0.68p
Marine Midland Banks Inc. Fltg. Rate Sub. Nts. 2009 $268.74
News Intl. Gtd. Fltg. Rate Nts. 1991 $268.33
Riggs National Corp. Fltg. Rate Sub. Nts. 1996 $268.33
Systems Reliability Hldgs. 1p
Taiwan Power Co. Fltg. Rate Nts. 1992 $488.24

WEDNESDAY JUNE 21

COMPANY MEETINGS-
Allied Insurance Brokers Group, The Stock Exchange, Threadneedle Street, E.C., 10.00
Forward Group, Hedging Lane, Dosthill, Tamworth, Staffs., 12.00
Grampian TV, Queens Cross, Aberdeen, 12.00
Hawker Siddeley, Inn On The Park, Hamilton Place, Park Lane, W., 12.00
Parambe, 125 High Holborn, W.C., 12.00
Ward White, Waldorf Hotel, Aldwych, W.C., 12.00
BOARD MEETINGS-
Finals:
Booth Inds.
Brookmount
Charter Cons.
Erostin
Mountview Estates
Scantronic
Zambia Cons. Copper Mines
Interims:
Horne (Robert)
Lee (Arthur)
DIVIDEND AND INTEREST PAYMENTS-
Abbey National Bldg. Soc. Fltg. Rate Nts. 1991 £331.26
Bank fur Arbeit und Wirtschaft AG Sub. Fltg. Rate Nts. 1999 $480.78
Bertrams Inv. Tst. 0.9p
Citicorp Fltg. Rate Sub. Cap. Nts. 1998 $281.94
English National Inv. Co. Pfd. 6.86p
Do. Dfd. 6.4p
Lone Star Inds. Inc. 47.5cts.
Marine Midland Bank NA Fltg. Rate Sub. Cap. Nts. 1996 $263.54
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (June 1985 Iss.) $496.08
Pfizer Inc. 55cts.
State Bank of India 5¼% Nts. 1993 2.625pc.

THURSDAY JUNE 22

COMPANY MEETINGS-
British & Commonwealth Hldgs., Merchant Taylors' Hall, 30 Threadneedle Street, E.C., 12.00
Hestair, Savoy Hotel, W.C., 12.00
London Atlantic Inv. Trust, 91 Waterloo Road, S.E., 12.30
Yule Catto, Great Eastern Hotel, Liverpool Street, E.C., 12.00
BOARD MEETINGS-
Finals:
CH Inds.
ERF
IWP Intl.
Rothmans Intl.
Interims:
Anglia TV
DIVIDEND AND INTEREST PAYMENTS-
BHH Group 8% Eds. 1998 4pc.
Banca Serfin SNC Sub. Fltg. Rate Serial Nts. 85/89 9.8125pc.
Bayer AG DM12
Gadek (Malaysia) Berhad 15sen.
Grampian TV NV A 2.4p
Halliburton Co. 25cts.
London & Prov. Shop Centres Hldgs. 10% 1st Mtg. Deb. 2028 5pc.
Do. New 10% 1st Mtg Deb. 2028 4.9007pc.
London & Scottish Marine Oil 10⅜% Deb. 2009 5.1875pc.
Renaissance Hldgs. 2.1p

FRIDAY JUNE 23

COMPANY MEETINGS-
French Connection, The Howard Hotel, Temple Place, W.C., 11.00
Govett Oriental Inv. Trust, Shackleton House, 4 Battle Bridge Lane, S.E., 12.00
RIT Capital Partners, The Royal Automobile Club, 89 Pall Mall, S.W., 12.00
Saltire Insurance Invs., 36 George Street, Edinburgh, 12.00
BOARD MEETINGS-
Finals:
Aberfoyle
Bulgin (A. F.)
Electric & General
Kewill Systems
Marling Inds.
Interims:
Eldridge Pope
Eurocopy
New Zealand Inv. Trust
DIVIDEND AND INTEREST PAYMENTS-
Anglo American Coal Corp. 205cts.
Associated-Henriques 1.75p
Black & Decker Corp. 10cts.
Caparo Inds. 1.2p
Green (James) 9.3125p
East Surrey Water Co. A 7% (Fmly. 10%) Max. 3.5p
Do. B 4.9% (Fmly. 7%) Max. 2.45p
Do. C 3.5% (Fmly. 5%) Max. 1.75p
Do. 3.5% (Fmly. 5%) Prf. 1.75p
Do. 4.2% (Fmly. 6%) Red. Prf. 85/90 2.1p
Do. 5.6% (Fmly. 8%) Red. Prf. 92/94 2.8p
Hatfield Estates 1.25p
Hawthorn Leslie Group 0.2p
Hercules 56cts.
Holt (Joseph) 17p
Kitty Little Group 1p
National & Provincial Bldg. Soc. Fltg. Rate Nts. 1995 £165.41
Portsmouth Water Co. 3.5% (Fmly 5%) 1.75p
Quicks Group 3.6p
Rand Mines Props. 40cts.
Scandinavian Finance BV Fltg. Rate Sec. Nts. Dec. 1993 $485.6
TMD Advertising Hldgs. 1.5p
Tribble Harris 3.2cts.
Webb (Joseph) 8% Mtg. Deb. 85/90 4pc.

SATURDAY JUNE 24

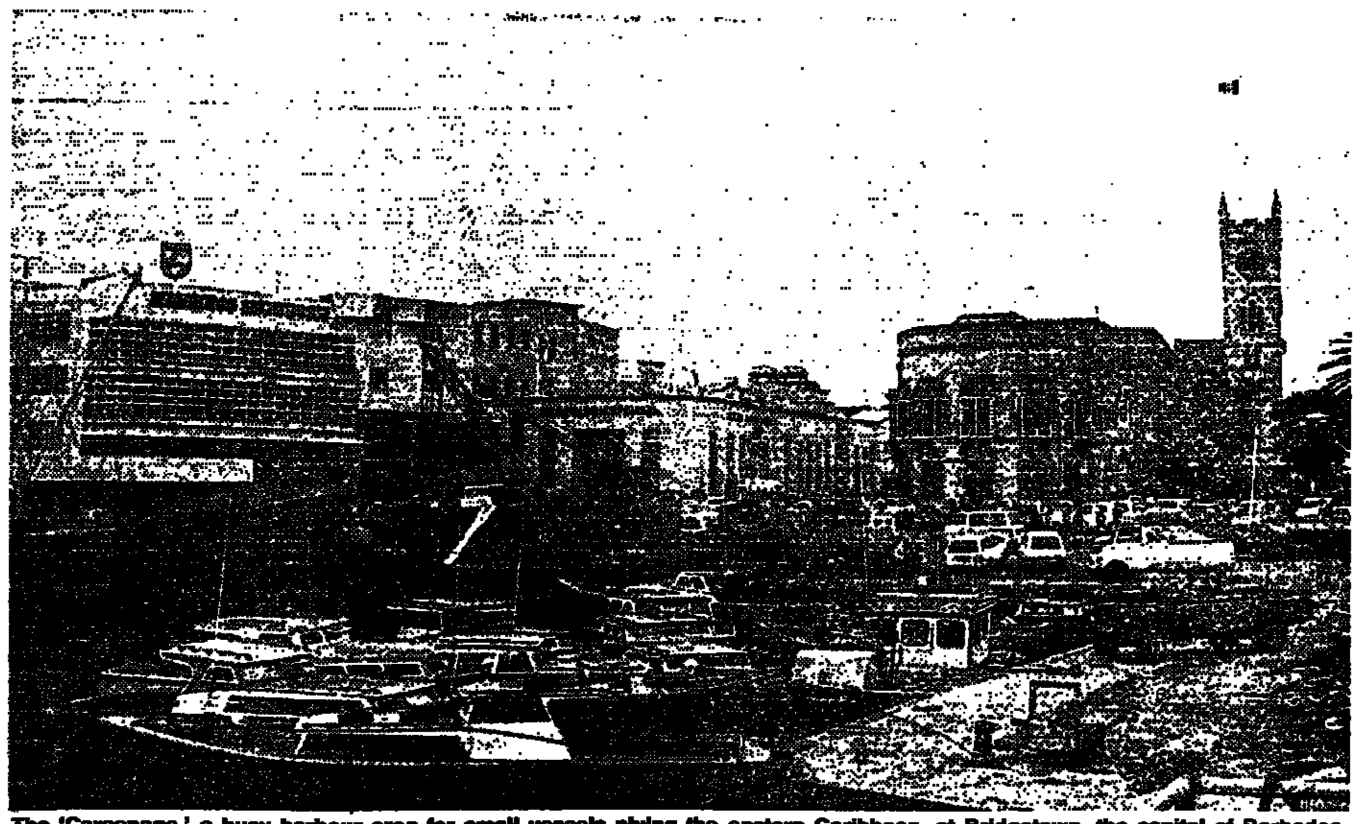
DIVIDEND AND INTEREST PAYMENTS-
Manchester Corp. 3% Red. Cons. 1926 (or after) 1.5pc.
Do. 4% Cons. Irrd. 2pc.
Metropolitan Water Kent Water Works 3% Deb. 1.5pc.

SUNDAY JUNE 25

DIVIDEND AND INTEREST PAYMENTS-
General Electric Co. 41cts.
TSB Gilt Fd. 8 Ptg. Red. Prf. 1p

FINANCIAL TIMES SURVEY

Hard times have come to the Caribbean in the last decade, but the island of Barbados, unlike some of its neighbours, has weathered the economic storms. It succeeds by dint of a skilfully preserved political consensus, as **Andrew Marshall** reports here.



The 'Careenage,' a busy harbour area for small vessels plying the eastern Caribbean, at Bridgetown, the capital of Barbados.

BARBADOS

A careful balancing act

WATCHING a cricket match, or lunching in the quiet coolness of the 120-year-old Bridgetown Club, decked out with fading photographs of Victorian and Edwardian England, it is easy to see in Barbados the continuity of habits and values from a British colonial society to a modern, successful state.

The island stands apart from the rest of the Caribbean. Geographically, it is the easternmost of the islands, set some 100 miles out into the Atlantic from the gentle curve of the Lesser Antilles. Culturally, too, it is more conservative than its neighbours, and it is proud to call itself "Little England."

Economically, it also has claims to singularity. Unlike some of its neighbours, Barbados has weathered the economic storms that have hit the Caribbean in the last decade. It has grown steadily – if unexcitingly – for the last 7 years at an average rate of 2.6 per cent. Real growth this year is expected to be around 2.5 per cent, with inflation rising slightly to about 5.5 per cent by year-end.

A Bajan might explain the island's singularity in terms of its motto: Pride and Industry. But it is more than a question of attitude. Stability, economic and social, is the product of a careful balancing act, which succeeds by dint of a skilfully preserved political consensus.

Though there are differences of emphasis between the island's political parties, each relies on development planning, implemented through a compact between the public and private sectors. It is rare for changes of government to produce jarring movements in policy.

The island has had many political parties in the 350 years of its Parliamentary system, from the Salmagundi and Pumpkins of the nineteenth century to the three represented in today's House of Assembly: the Barbados Labour Party, led by Henry Forde; the ruling Democratic Labour Party, led by Prime Minister Erskine Sandiford, which arose out of a split in the DLP in 1955, and the New Democratic Party, led by Dr Richard Haynes, which arose out of a split in the DLP in 1987.

There is considerable acrimony between Mr Haynes and Mr Sandiford, centring on economic policy, in particular the question of taxation. But the outside observer would be hard pressed to insert a cigarette paper into the ideological gap between any of the three parties.

Nor is there much dispute between the parties about the most immediate problem facing the Island: agriculture.

For most of its history, the health or sickness of the island's economy could be read off from a sugar price graph. Fields of waving sugar cane still dominate the landscape, though increasingly Barbadians prefer a collar-and-tie job in a chilled office to sweating in the fields: the returns are better, and the prospects seem more attractive.

The fundamental problems of the industry have come to roost this year, and the harvest was probably the lowest on record.

The sugar industry's problems have been mitigated by increasing revenues from tourism. Tourism now accounts for about 14 per cent of real GDP, compared to 9 per cent in 1970; by contrast, sugar has fallen from 9.2 per cent to 3.9 per cent over the same period. Last year, for the first time, tourist arrivals were over 450,000, and the Government confidently predicts an increase to 485,000 this year.

Barbados is a pretty island, with a variety of landscapes – stretching from the flat coastal plain of the West, where the the Caribbean laps somnolently against the strand, to the under-developed east coast, where the Atlantic crashes onto deserted stretches of sand, with magnificent views of the rugged hills of the Scotland district.

But judging by the rows of sizzling bodies, coated in locally-grown aloe vera or some other concoction bottled in the chemical factories of Europe, sunshine is Barbados' most valuable resource. Tourists lounge beneath the palm trees, sipping the excellent locally-brewed Banks' beer, and rarely venturing much beyond the hotel lobby.

Like all small economies, Barbados is highly vulnerable to external shocks

Tourism has led to uneven development of the island; it is also a fickle friend, dependent as it is on so many exogenous factors. The island's economy has leant too much on the sector for the last few years, and it may not be strong enough to bear the weight.

But attempts to develop a sound manufacturing sector to balance out the swings and roundabouts of tourism and sugar have a chequered history. There has been some revival of activity, after the shock caused when Intel, the US computer manufacturer closed its plant, the largest manufacturing enterprise in the island, in 1986, with the loss of 950 jobs. But manufacturing is still in the doldrums, and the former Intel plant is being converted into a shopping mall.

Barbados is too small to make anything but export-based industry feasible, and yet with high labour costs, and an exchange rate that is pegged at two Barbadian dollars to the US unit, its regional competitiveness is severely hampered. Three of the island's trading partners in the Caribbean – Jamaica, Guyana, and Trinidad and Tobago – have devalued their currencies in the last year. Barbados was advised to do the same thing in 1987 by the World Bank, but turned down the proposal.

Can Barbados maintain its balancing act? Some Barbadian economists believe that, like a bicycle, the economy can only remain upright if it keeps going forward, and that the momentum has been lost.

The key long-term problem is competitiveness. If Barbados does not want to be a low-wage exporter of low-value-added products, then it must improve its marketing, investment and quality, and further explore the export of services to neighbouring islands.

Preserving the political consensus that has underpinned economic success may also be tricky in the years ahead. Barbados has seen remarkable social progress since the war, with the expansion of the franchise, full internal self-government, and a very high level of social services and education.

Some Bajans feel it is now time for a change of agenda, and that the social progress of the post-war era must be reassessed.

One sign of this is the renewed debate about race and class in the island. Dr Hilary Beckles, an economic historian at the University of the West Indies, has written at length in the island's newspapers about the domination of the Island's economy by white Barbadians, at the expense of black Barbadians. He argues that the Government must use its position to widen ownership and reverse the power of the entrenched white business elites.

Barbados is a conservative place, and though Dr Beckles' language views are far from radical, he has attracted a lot of outspoken criticism – as well as some support from the ruling DLP.

All of the political parties believe that an expansion in ownership and a broader economic base is necessary. The decline of agriculture and the expansion of small manufacturing are also changing the social makeup of the island. It is a question of how this change is managed - through government action, or the market.

Change may be forced on Barbados from outside. If there are black clouds in the bright blue skies, they are on the international horizon. Barbados is an island only in the geographical sense – culturally, economically and socially, it is subject to forces beyond Bridgetown's control.

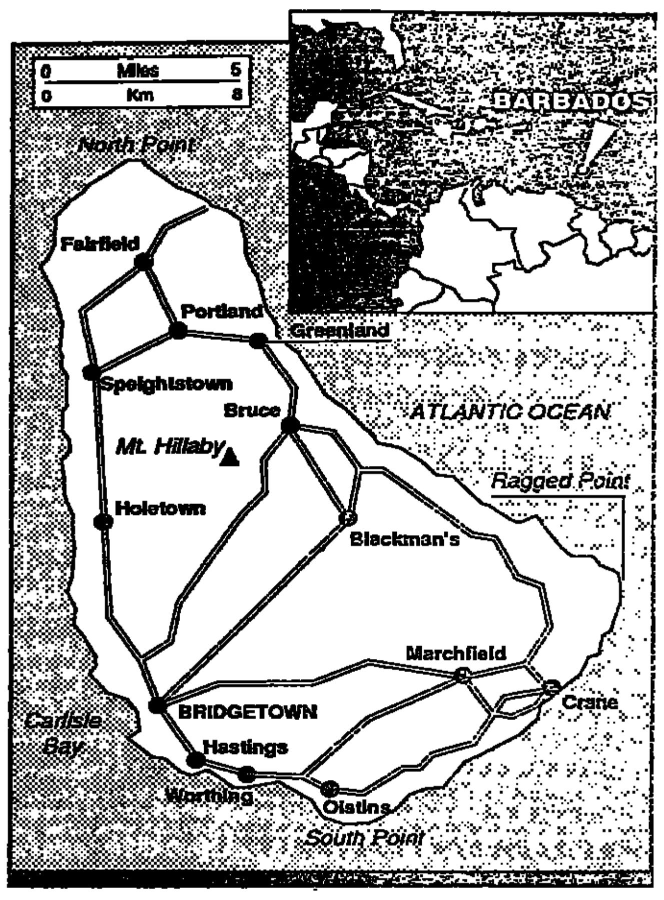
Like all small economies, Barbados is highly vulnerable to external shocks, particularly

Continued on page 3

KEY FACTS

- Area: 430 sq km.
- Population: 1985 (est) 253,013.
- Head of State: Queen Elizabeth.
- Head of Government: Lloyd Erskine Sandiford.
- Labour force: 121,200
- Capital: Bridgetown, (population, 95,000).
- Average annual population growth rate: 0.4%, with urban population growing by 1.4% and rural population falling by 0.4%.
- Real GDP growth: 2.5%, (regional comparisons: Jamaica 3.5%, Guyana –3.0%, Trinidad and Tobago – 3.8%; Grenada – 5.0%)*
- Average exchange rate: US$1 = B$2, (pegged to US$, since 1977); £1 = B$3.565*
- Inflation: 1988, 4.8%; 1987, 3.4%
- GDP per capita: US$5,795 (regional comparisons: Jamaica US$1,189; Trinidad and Tobago $3,666, Grenada, US$1,392)**
- Distribution of GDP: commerce, 20.1%; business services, 17.1%; tourism, 14%; transport, 7.4%; government, 13.4%; agriculture, 7.5%.
- Current account balance: – US$1m*
- Exports: US$174.5m*
- Imports: US$581.9m*
- Main destination of exports: 1987, US, 27.6%; Caricom, 23.6%
- Main source of imports: US, 27.6%, Caricom 13.8%**
- Main exports: sugar, 23.9%; electrical goods, 17.6%; clothing, 12.5%; chemicals, 11.8%.
- Tourist arrivals: 451,485*
- Tourist expenditure: B$918.5m*
- Sugar exports: 67,900 tonnes, B$67.2m*
- Reserves: Jan.1989, US$145.6; Jan.1988, US$152.7
- Unemployment: Q4,1988, 18.7
- Life expectancy: 69.8 years.

*Figures for 1988;**1987



Paradise Beach, a magnet for tourists in search of a glowing tan

Canute James looks at future prospects for a flourishing tourist industry

Making the most of its place in the sun

MISS MARY-JO VASQUEZ of New York, in search of a tan, but confessing to be more burned and blistered, is on her fifth holiday in Barbados – "I will always come back," she says. "It may rain now and then, but who cares! This country is quiet, clean and safe."

The administrators of Barbados's tourism sector are likely to be pleased with Mrs Vasquez's fidelity in their product. So also are those in charge of the island's finances. Tourism has become the fastest growing, and now the most valuable, sector of the economy.

But there is agreement that the industry, as it is in other parts of the Caribbean, is dangerously fickle, and subject to factors and market forces which Barbados cannot and will not be able to control. The intention, therefore, is to make the most of the industry while the sun shines.

"We have set a target of 5 per cent growth in visitor volumes each year, but this will be quite difficult to achieve," says Mrs Patricia Nehaul, the director of tourism. "The competition is increasing from places such as the Seychelles, the Far East and Australia."

On the basis of recent performance, the target does not appear that difficult to achieve. Last year Barbados entertained 451,500 tourists, 7 per cent more than in 1987. They spent more and stayed longer. Visitor expenditure last year was US$425m, with the real value added in the sector growing by 10.5 per cent. The average length of stay was 6.7 days, up from 6.5.

The US is the largest single market, accounting for about half of the tourists. But the number of Miss Vasquez's compatriots who took their holidays in Barbados last year dropped by 2.5 per cent. The decline was more than made up by growth of 10.7 per cent in the European market.

An expansion in summer charters out of the Midlands and other parts of Britain led to a 28 per cent growth in the British market last year, lifting arrivals to just over 101,000 visitors. In addition to providing the base for the sector's growth, the improvement in the British market helped to deal with one problem that has bothered the island's tourism.

The summer is traditionally the low period in an industry subject to seasonal fluctuations. With most visitors arriving during the northern winter, some hotels closed during the summer because of a lack of business.

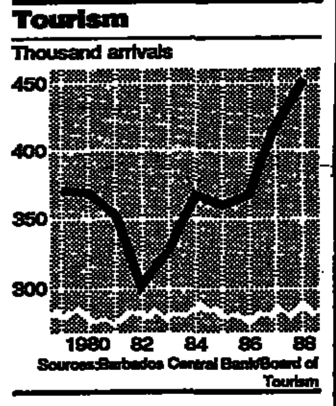
"We have managed to tap the lower end of the market for hotels and apartment hotels," says Mrs Nehaul. "We want year-round tourism but occupancy levels at the lower end of the market have been poor." Occupancy levels are improving, she reports, and are now 68 per cent. The target is 75 per cent.

The hotels are better off for the improvement. At the end of 1988 the industry's indebtedness to local banks was Bds$125.6m, Bds$4.4m less than a year earlier.

The growth in tourism is the result of intensive marketing of Barbados. Last year's budget for promoting the island as a resort was *Bds$18.4m* (US$9.2m). "It is not a lot of money," concedes Mrs Nehaul, "but we have done well in getting a return on our investment."

More needs to be spent on marketing the island, argues Mr Henry Forde, leader of the Barbados Labour Party.

"There has been growth in the volume of tourists from Europe, but the US market has not shown the levels of growth we need," he contends. "We need to spend more money to get the US market. What is being spent on promotion brings in over US$400m. This is too small a ratio to market Barbados properly. The government must strengthen our major markets such as the US."



It is a fear of the industry's susceptibility to exogenous factors which is behind the development of new markets and an ease in the reliance on North America.

The Barbados dollar is pegged to the US dollar. At exchange rates which have prevailed over the past three years, Europeans obtain something of a bargain when they holiday on the island.

Consequently, Barbadians are carefully watching the recent appreciation of the dollar against sterling. "Barbados' tourism does best when the US dollar is low," says Mr Bernard St John, a former prime minister.

"Barbados is unique in that it is a high cost provider of tourism services, although we have a range of accommodation to suit any pocket. If the US dollar gets to a rate of 1.40 to sterling, then tourism will be in trouble." Spain and Portugal would become more attractive for Europeans, suggests Mr Forde.

"We are always aware that the industry could be affected by these factors, so we have not been concentrating on any one market," explains Mrs Nehaul.

Providing space for the higher volumes of visitors will not be a problem. The current capacity of 14,000 beds in hotels, apartments, guest houses and villas is yet to be fully utilised, while there are plans for new hotels to cater to all levels of the market.

More rapid growth is expected in the cruise ship business. Ship calls are increasing, following a 28 per cent expansion in cruise visitors last year, with the volume reaching 291,000.

"Over-dependence on tourism does present a danger, and we are in search of balanced development," says Mr Erskine Sandiford, the prime minister. "But if we have the advantage of being a competitive destination, should we turn back the tourists? We can do with more tourists."

AGRICULTURE

Sweet-and-sour debate

Sugar cane plantation: the pillar of the island's agriculture

AGRICULTURE, the backbone of Barbados's economy up to the 1950s, is in trouble. Falling production, particularly in sugar, the major crop, has provoked arguments about how best to get the sector back on its feet. There appears general agreement among government and opposition politicians on what needs to be done. How to do it remains a point of some contention.

Agriculture has become less important to the island's economy over the past decade. The sector's contribution to national output fell from 7.6 *per cent in 1981 to 5 per cent* last year. Yet, for reasons not only economic, the island can ill afford the continuing decline.

"We are very committed to having a vibrant agricultural base," said Mr Erskine Sandiford, the prime minister. "There has been considerable change in the pattern of land ownership down through the years, and some land which was under agriculture is no longer in agriculture. But the problem of increasing agricultural output and efficiency is a matter of immediate concern."

'The problem of increasing agricultural output is a matter of immediate concern'

It is this issue of land ownership that forms part of the debate about restructuring agriculture. A way has to be found, runs one argument, to transfer the ownership of agricultural land from the larger, less efficient and marginally profitable farmers to others keen on making a living out of agriculture.

Dr Richard Haynes, leader of the Opposition, contends that agriculture has to be central to any plans for the island's economic development.

"We have limited resources which must be preserved," he says. "The collapse of agriculture is affecting the economy. We need to get the lands back into production and look at more effective forms of ownership and management."

However, fundamental structural changes must be made if the sector is to improve. Between 6,000 acres and 7,000 *acres of agricultural land is* lying fallow, argues Mr Henry Forde, leader of the Barbados Labour Party.

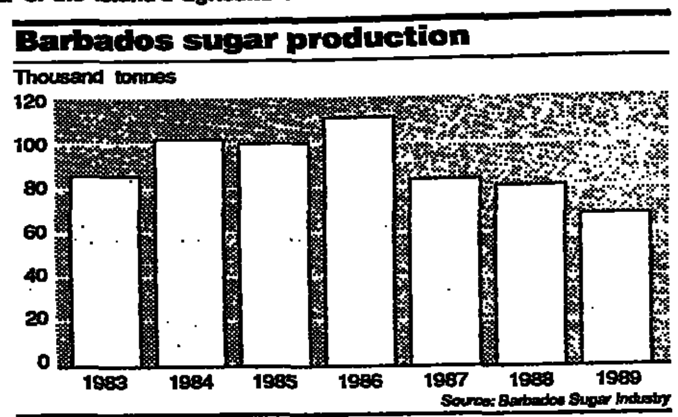
"The number of genuine farmers is dwindling and younger people are not becoming farmers at the rate we need. We have to get into the sector those who want to make a living from the farm."

The sugar industry, the pillar of agriculture, best illustrates the problems facing the sector. The production target for the current harvest was 80,000 tonnes, the level of actual output in 1988 and about 3,500 tonnes less than 1987. *But, according to Mr Noel* Symmonds, services manager of Barbados Sugar Industry Ltd, this year's output is likely to be no higher than 68,000 tonnes, which he says would be the *lowest* since 1931.

"We were plagued by drought and then by heavy *rain which reduced yield,*" *Mr* Symmonds explained.

The decline in production creates problems for the industry in meeting its commitments to its guaranteed markets, mainly its quotas of about 54,000 tonnes per year to the European Community, 7,500 tonnes *to the US and* 12,000 tonnes for domestic consumption. Production costs in Barbados, as in most other countries in the region, are higher than world market prices. Without the higher guaranteed prices from the EC and the US, the industry would die.

"Low production will not force us to default on our EEC quota," says Mr Errie Deane, managing director of BSIL. "We have a mechanism to take care of any shortfall, but I cannot say what that mechanism is."



Fundamental structural changes must be made if the sugar sector's declining output is to be improved.

There is concern within the industry and the Government at the likely effect of a proposed cut in prices paid by the European Community. "The proposed 2 per cent reduction in price paid by the EC will cost us about $7 a tonne," says Mr Deane.

"An industry with finances like ours can ill afford to lose this. The financial state of the industry is disastrous."

Sugar brings the economy an average of US$35m a year, and the industry has had to be supported by the government in recent years. But its value goes beyond the 6,000 jobs it provides. On the 29,000 acres where it is grown, sugar cane provides protection for the thin layer of soil covering the island's coral rock base. Without the canes and other grasses to keep the soil in place, Barbados would quickly become an agricultural disaster.

The Government is reviewing a report by Landell Mills Commodities Studies of London on the island's agricultural sector. One recommendation is that the sugar industry's management be improved. It suggests that "managers/operators" be given opportunities to run some of the cane farms.

Increasing attention is being paid to other forms of agriculture, but with mixed results. The small cotton industry was affected last year by labour shortages, poor weather and pests. The central bank reports that acreage under cotton was increased by 30 per cent, but one out of every four acres was not reaped, leading to the volume of lint ginned during the year falling by a quarter to 120 tonnes.

Sugar cane provides protection for the thin layer of soil covering the coral rock base

The fish catch was down in 1988, but this is likely to improve with a new agreement signed in May between Barbados and Guyana. Barbadian fishermen will be able to harvest just under 2,000 tonnes of fish over six months.

There is an expected level of official optimism about the future of the sector. "There is the danger that we may take too long to do something about agriculture," suggests Mr Kurleigh King, governor of the central bank. "There is the will in the public sector to deal with the problems in agriculture. We can get the money to finance our agricultural programmes. I am optimistic that in three to four years we will be able to look back at 1989 as the start of the resurrection of our agriculture sector."

Canute James

هكذا صدر الأصل

Canute James looks at the economy envied by neighbours

Stable but also vulnerable

ALTHOUGH something of a fixture in many Caribbean countries, the currency arbitrageur has no place in Barbados. He would have no market in an economy which has not shared the trauma of its neighbours with frequent changes in exchange rates, shortages of hard currency and vibrant parallel markets.

This reflects what Mr Erskine Sandiford, the prime minister and finance minister, describes as the "fiscal prudence" which has been common to the outlook of Barbados's leaders, in government and in the opposition.

"Political parties may stress different aspects of economic and social development, but there is a broad-based agreement that we do not pursue policies which might affect the overall objective of stability," the prime minister says.

"Parallel markets develop when you have shortages, where you do not have free movement of goods, where currency is not readily available. We are a relatively open economy and we allow market forces to operate."

This compact among the parties may or may not be the cause of the stability that is characteristic of the island's economy. But it is likely that the performance and condition of the Barbadian economy is being envied by its more straited neighbours.

Growth for most of the past decade has been steady, but not spectacular, averaging 2.6 per cent between 1983 and 1987. Last year's expansion of 3.5 per cent was the sixth successive year of growth.

"Barbados is better managed than other countries in the Caribbean, and our size helps," suggests Mr Harold Hoyte, managing director of the Nation, one of the island's two daily newspapers. "There is no room in Barbados for extremism. The political parties recognise the safety of the middle road. Barbados has few options and common sense has prevailed in economic policies."

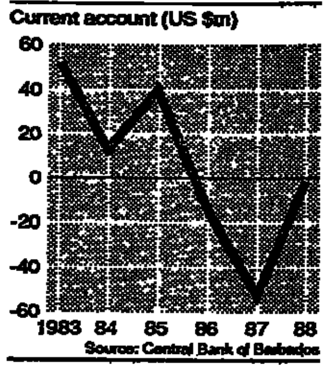
Perhaps the one problem the island shares with its more hard-pressed neighbours is that the options are indeed few. The three pillars are tourism, agriculture and manufacturing. Government officials hope the small but growing offshore financial services sector will become a fourth.

But having little room to manoeuvre, and even less for making errors, has not prevented Barbados from presenting an economic picture which, at least on the surface, appears very healthy. Most of the main indicators are pointing in the right direction.

The deficit on the current account of the balance of payments moved from Bds$107m (US$53.5m) in 1987 to Bds$1m last year, the central bank reports. The fiscal deficit which was equivalent to 7.6 per cent of gross domestic product in 1987 was reduced to 4.2 per cent last year. Foreign debt obligations ate up almost 19 per cent of what was earned

Balance of payments

Current account (US $m)



Source: Central Bank of Barbados

from exports and tourism in 1987, but the ratio was reduced to 16 per cent in 1988.

The central bank expects these improvements to continue, and is projecting growth of between 2 per cent and 2.5 per cent this year. Barbadians may consider this enough to make tolerable other aspects of the economy which are not doing as well. Unemployment stands stubbornly at 18 per cent while inflation last year was 4.8 per cent, against 3.4 per cent in 1987.

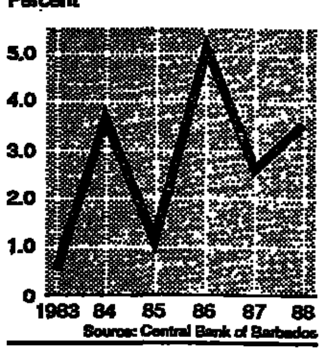
All this masks a creeping danger for the economy. Scratch the surface, and it appears to be becoming dangerously lopsided with increasing dependence on one sector. The growth last year was led by continuing improvement in the volume of tourist arrivals, and increased visitor expenditure. While manufacturing and construction also improved, it is on tourism that the forecasts of continued growth are predicated. Agriculture, mainly sugar, remains the chronically ill sector.

"Agriculture has been a persistent state of decline," says Dr Richard Haynes, the opposition leader. "Within the tourism sector there has been growth in the European market but stagnation in the North American market. "Unless the problems in agriculture are resolved now, there is a major crisis ahead. The economy can be thrown into a tailspin by a 10 per cent decline in tourist arrivals. There is a danger of overdependence on tourism."

While admitting a possible danger in going overboard on tourism while other sectors lag, Mr Kurleigh King, the governor of the central bank,

Real GDP growth

Percent



Source: Central Bank of Barbados

offers a much less pessimistic projection. "Although it appears strong, our economy is still vulnerable," he says. "We do our best to juggle various situations and come out right. There is a problem now with agriculture, but we are doing better with tourism.

"There would be a disaster if we have a bad year in tourism before agriculture can be improved," the bank governor concedes. "But it is not likely that we will face a crisis in the near future, although we always watch international developments."

One of these international developments is exchange rates. With the island's currency pegged to the US dollar, a holiday in Barbados has become a bargain for Europeans. The dollar's recent appreciation against sterling is, understandably, a cause of more than passing concern.

The increasing dependence of the economy on tourism – and the damage that could follow a decline in the sector – is clear. The island last year recorded a merchandise trade deficit of Bds$809m after spending $1.1bn on imports. But it was the earnings from tourism which brought the deficit on the current account of the balance of payments to Bds$1m.

The continued expansion in tourism will not deal with the intractable problem of unemployment. Creating enough jobs will not be easy, says Mr Henry Forde, leader of the Barbados Labour Party. "The growth rate has slowed recently and we have had several years of small growth. This cannot deal with the serious problem of unemployment. "In the economic plan for 1988 to 1993 there is a projection for annual growth of 2.5 per cent. This could create 2,000 jobs but this will only scratch the surface. We will need growth of five per cent to seven per cent consistently to deal with unemployment."

If high unemployment is one problem Barbados shares with its neighbours, its difficulty in dealing with the Bds$800m foreign debt sets it apart. "We are conscious that our foreign debt can be a major problem for our development, so we try to keep it within limits," explains Mr Sandiford.

The small offshore financial sector, made up of banks, captive insurance companies and foreign sales corporations established by US firms, last year contributed Bds$40m to the economy. But the prospects for expansion have been dampened by a move by US legislators which has removed exemptions granted to US companies under a bilateral treaty.

The island's administration is seeking a reinstatement of the tax exemptions for the US companies. Officials say the withdrawal of the tax breaks makes the island "no more or no less attractive" than other countries seeking more offshore financial business.

A failure to reach an amicable agreement on this matter will not adversely affect the economy. More importance is placed by some Barbadians on a general disposition guided by moderation.

Despite the increasing fragility of the economy, it appears that it will be some time, if ever, before the currency hawker, with his fistful of dollars, can find Barbados a good market, parallel or otherwise.

Political scene

Hallmark of stability

THEY are both political medics; both formed breakaway parties in disgust at the goings-on in their former parties; and both believe in a strong moral basis to government.

But Dr Richard Haynes, the leader of Barbados' breakaway New Democratic Party, declines to push the parallels with Britain's David Owen and the Social Democratic Party too far – "we don't see ourselves as a third party. We intend to be a number one party," he says.

Dr Haynes departure from the Democratic Labour Party in 1986 came as little surprise; he had been in open conflict with Mr Erskine Sandiford, Prime Minister and the party's leader after the death of Errol Barrow, almost from his appointment.

In 1987, Dr Haynes resigned as Finance Minister after he returned from a foreign trip to find financial appointments made, allegedly without his consultation. And in 1988 he crossed the floor to found a new party, with three other Members of the Barbadian Assembly.

A tall, athletic figure, Dr Haynes distinguishes himself in Barbados with a younger, more openly affluent image than his peers. He is earnest and serious about politics, speaking of "the moral dimension."

But though another politician characterises him as "the most radical right-wing conservative in the history of Barbadian politics," it is hard to see his proposals for fiscal reduction and private sector initiative as more than a shading on Barbados' middle ground.

Stability has been the hallmark of Barbadian politics for decades. In the post-independence period from 1966 until 1985, the country had had only two prime ministers, and only two main parties – the Barbados Labour Party and the Democratic Labour Party, which evolved from a split in the BLP – were unchallenged. That stability is unlikely to be disturbed: Barbados has a long tradition of consensus politics.

Whether or not Dr Haynes regards the NDP as a third party, the role that it will play is far from clear. The party has clearly labelled itself as a national party capable of winning office, but it has not yet been subject to a general election.

Though most observers believe that the NDP can win a substantial proportion of votes, with a first past the post system, seats are not guaranteed. If it emerges as the power broker in a hung Parliament, Dr Haynes does not rule out coalition with either party, wisely deciding to cross his bridges as they come.

Party loyalties are traditionally very firm: one analyst estimates that 80 per cent of the vote is determined before the campaign even starts, and that only about 20 per cent is up for grabs.

Many of Dr Haynes critics see the NDP as purely a vehicle for his own ambition. But the structure of Barbadian politics has always been highly personalised, and much of the rhetoric in Barbados' colourful local press is *ad hominem* rather than directed at constructive debate about policy.

It is to some extent the result of politics in any small community. And when there is so little disagreement about the basics of policy – the three parties could probably be contained within the centre ground of British politics – questions of leadership inevitably loom larger.

A shockwave hit the Barbadian political establishment in the mid-1980s, with the end of a generation. Between 1985 and 1987, the country had 4 changes of leadership. Prime Minister Tom Adams, son of the legendary Grantley Adams, died in office in 1985; he was succeeded by Mr Bernard St John, who led the Barbados Labour Party into the general election of 1986, where it was wiped out: Mr St John lost his seat, as did all but one of his cabinet colleagues.

Mrs Margaret Thatcher greets Mr Erskine Sandiford, Prime Minister of Barbados, when he visited Downing Street

Mr Errol Barrow, leader of the DLP, became Prime Minister again (he held power for a remarkable 15 years between 1961 and 1976) only to die in office in May 1987.

The end of the Adams-Barrow era has had a complex impact on the Barbadian party structure. The two men led the country for a total of 25 years, as a kind of Caribbean Gladstone and Disraeli.

Their demise has created an absence of leadership. None of the political leaders on the stage now is of their calibre, and certainly Mr Sandiford, a headmaster turned politician, is no Errol Barrow. He is, like most of Barbados' politicians, an intelligent man, but he lacks the presence of his predecessor, both in his dealings with foreign policy and his handling of the party.

The question which Mr Haynes' departure poses for the party system is whether Barbadian politics is inextricably tied to the strong leader, or whether it will shift to firmer ideological grounds. This is certainly the role that Dr Haynes seems to want to play: he has firm views on the economy, though he shrinks from calling himself a supply-sider.

Political change is more likely to come in the form of social transition. Barbados is no longer an agricultural society: the countryside is steadily depopulating, and sugar is an industry whose time has gone.

The pressure on the towns, in particular on Bridgetown's transport and water systems, shows the impact of this shift. There is a new and growing class of more affluent, younger voters, whose values differ from their parents, and it is to these that both the Democratic Labour Party and the New Democratic Party are trying to appeal.

Mr Henry Forde, leader of the Barbados Labour Party, has the luxury of sitting slightly out of all this. He expects Dr Haynes to take more votes from the DLP than the BLP, and the two are certainly competing more directly. But within the BLP, too, there are questions being asked about leadership.

Andrew Marshall

Careful balancing act

Continued from page 1

as they affect demand for its products and payments on the foreign debt. A rising dollar, combined with relatively high interest rates and collapsing demand in the US – a scenario that is not unlikely for the next year – is risky. It would raise debt service payments while reducing tourism flows from Europe, and would damage the prospects for expanding manufactured exports. Economic problems in Barbados' Caribbean neighbours limit the room for expansion within the markets of Caricom.

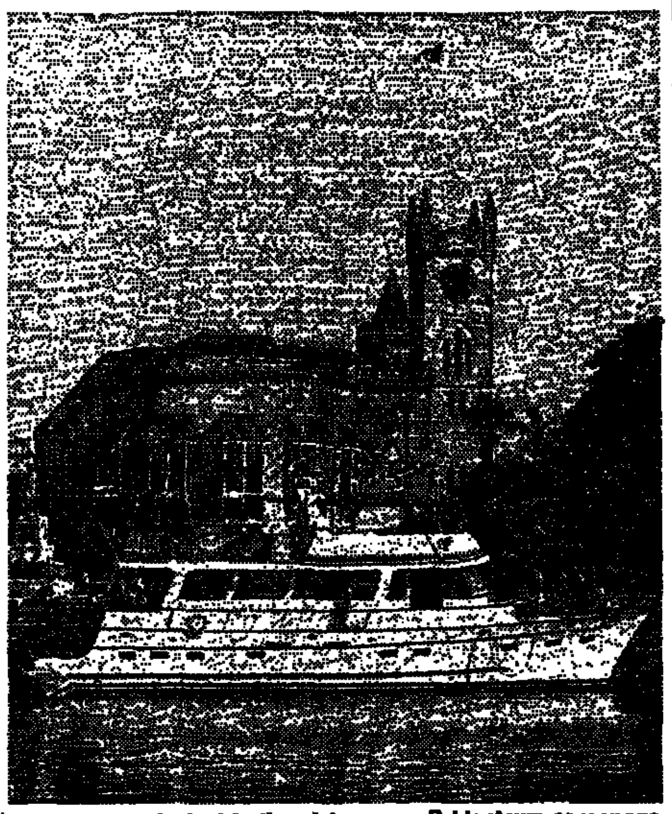
Moreover, political and social unrest in those countries can easily spill over into problems for Barbados. Drugs, for instance, have become the canker in too many of its neighbours and cannot allow for complacency. Though Barbados is not a transit point on the same scale as other Caribbean countries, and though the problem of drug addiction is still relatively small, there is little that the island's Government or police can do on their own.

Barbados has a developed sense of national interest, and a skilled political establishment. The question is whether it can move beyond the consensus that has sustained prosperity, to build a more secure and balanced future for the island.

'A cultural and artistic boom' now under way

Signs of greater self-assurance

Nursery for West Indian cricketers: schoolchildren playing the national sport



Luxury yacht docked in the picturesque Bridgetown careenage

BARBADIANS are regarded by their Caribbean neighbours as being a hard-working, conservative and staid people, with little time or temperament for relaxation.

The revelry, and the tendency to put a humourous face to even the most painful of disasters – which is a part of Caribbean life – has not been shared traditionally by Barbadians. Much was made of the attempt to import a copy of Trinidad and Tobago's carnival to Barbados years ago.

Rather than participating, Barbadians remained bemused observers. The experiment failed and was never tried again. But this image of the overly serious Barbadian who never relaxes in the Caribbean fashion is no longer correct. Some airlines serving the island are contemplating putting on extra flights in July and August. Scheduled services are almost sold out because of the increasing attraction of the island's "Crop Over Festival."

This event is not only attracting the Barbadians living in North America and Europe, but thousands of non-Barbadians who have experienced, or heard about, this high-point of the island's cultural calendar.

The Barbadian appreciation of revelry and relaxation has gone full circle. The Crop Over Festival is to Barbados what carnival is to Trinidad and Tobago. And it is home grown. The festival originally marked the delivery of the last sugar canes to the mills.

Now it is a cultural showcase which, while portraying aspects of the island's history, is also a vehicle for expressing the contemporary. And with the development and expansion of the festival over the past 15 years has come the growth of Barbadian calypsonian.

With biting, satirical commentaries on matters political, economic and social, the island's calypsonians, once the poorer cousins to those on other islands, can more than hold their own.

With the Crop Over and other festivals – there is one in February, one which pays homage to fish at Easter, and the National Festival of Creative Arts in October - Barbadians have found new vehicles for cultural expression in the fine arts, dance, music and theatre.

"Barbados is in a cultural and artistic boom," says Mr Henry Forde, leader of the Barbados Labour Party. "There has been a blooming of the arts. One finds this reflected in greater self-assurance of today's Barbadian. They now see their intellectual property as a right."

But this explosion of expression has also been aided by the fact that it has a large and growing market. The growth of tourism to become the most important pillar of the island's economy has created a demand for the works of the island's small but increasing band of artists whose work reflect a Barbados of yore, and the contemporary.

Bridgetown, a city which, up to a decade ago went to sleep with the setting sun, is a changed place. Live theatre is alive, and with song and dance. There is one instance in which the stereotypically serious Barbadian attitude prevails in what would normally be regarded as relaxation.

The Crop Over Festival is to Barbados what carnival is to Trinidad and Tobago

It is in the passionate and skilled pursuit of the game of cricket. It is this seriousness, argues the Barbadian cricket *cognoscenti* – of whom there are more than a few – which, by extension, has contributed to the success of the West Indies team to which the island has always contributed both in numbers and skill. The greatest of all, Sir Garfield Sobers, is Barbadian.

The local season, which runs from this month to just before Christmas, is efficiently managed. The crowds on a Saturday afternoon match would be the envy of administrators of England's country cricket. And in the standard of play, the comparison would be no less than painful.

The island's dominance of the sport in the region has slipped recently, but there are many theories, each argued with some conviction, as to why a country of this size should do so well in the game.

For black Barbadians in the first half of this century, runs one argument, the game offered a way for self-expression which was not offered by other social or vocational endeavours.

The sport became more than a game, and more so when it became financially rewarding for those with more than a passing degree of skill.

Yet another school argues that the wealth of Barbadian cricket has more to do with natural conditions. The island is relatively flat, cricket fields are easy to establish, and the climate, with long, dry spells, favours the planning and strategy which is so much a part of the game.

But although cricket dominates, it is not the sum of the island's sports. This year Barbados will host the finals of first regional soccer tournament. Aspiring Olympians have sought glory in track and field and young Barbadians are looking increasingly at hockey and basketball.

For Barbados, cricket remains the main sport – a national obsession pursued with no small degree of style and grace, but also with an application and seriousness which is (dare one say it?) typically Barbadian.

Canute James

Trafalgar Square, Bridgetown: reminder of the island's colonial links

MANUFACTURING

Staging a recovery

Light manufacturing industry is seeking to attract more investors, says Canute James

THE manufacturing sector appears to be pulling itself out of a decline which threatened to destroy it in the mid-1980s. But while output has increased, the country faces continuing problems because of its small resource base, and fluctuations in access to markets.

Barbados is suited to light manufacturing which is now the foundation of the sector. But unless it can break meaningfully into major foreign markets, and compete successfully, it will not enjoy the economies of scale which it is denied by a small home market.

The manufacturing sector is based on electronic components, garments and textiles, data processing, chemicals, packaging and food processing. The growth in electronic components was stifled when major US investors closed plants four years ago. Garment production was cut back because of difficulty in accessing the market in neighbouring Trinidad and Tobago, which had erected import barriers to protect its deteriorating economy.

"The electronics sector has stabilised and we have created about 1,000 jobs in the sector," reported Mr Roy Clarke, general manager of the Industrial Development Corporation. "The growth in the manufacturing sector is continuing this year, mainly in apparel and data processing."

Output by the manufacturing sector grew 6.7 per cent last year. This was led by 29.7 per cent growth in chemicals, and 24.9 per cent in wooden furniture because of an increase in exports. The performance in the larger industries was less spectacular. Garment production was up 4.3 per cent, following the 15.7 per cent increase in 1987 when the local market was protected. The slump in electronics appeared to have ended with growth of 3 per cent last year, but processed food output fell 5.6 per cent.

Because its domestic market is small, export markets are invaluable to the manufacturing sector. The current improvement reflects, in part, a decision by most members of the Caribbean Economic Community to deregulate imports from their partners. But the manufacturing sector in Barbados, having been burnt, is understandably slow to take up the challenge. The stagnation of the mid-1980s has contributed to a 50 per cent decline since 1983 in sales to Caribbean Community markets.

Hopes for continued expansion are based on attracting investors, most of whom are likely to have established markets for what they produce in Barbados. "Investors here will find that we have very sound transportation infrastructure, the telecommunications facilities are first rate, and that there is easy access to the major markets," said Mr Clarke. "There is stability and predictability. Inflation is under control and productivity is high in Barbados, and this counters the attraction of lower wages in other places."

The question of wage rates and productivity in Barbados's manufacturing sector has arisen following changes – such as currency devaluations – which have made some of the country's Caribbean partners more cost efficient locations for investors.

There have been inquiries from companies looking for a location for assembly and re-export operations, but Barbadian officials readily admit there are other places with cheaper rates which would do better with these ventures. The effort here is to use the island's location and infrastructure to lure investors who may see other advantages – such as companies in the Far East which are looking for ways around US import quotas.

The fluctuating fortunes of the manufacturing sector in recent years have raised questions about the suitability of the present policy for the island. Dr Richard Haynes, the opposition leader, contended that there are many opportunities for manufacturing without high import content, increasing the local value added. He says this would create the potential for higher employment and would save as well as earn foreign exchange.

"The basic problem for manufacturing is that it is an enclave sector," the opposition leader said. "It depends on external markets. Barbados gets the value added but it is not a permanent feature of the economy.

"We need industries such as food processing, clothing, furniture and building materials. Manufacturing in Barbados is led by small and medium-sized businesses with debt/equity imbalances. Credit is costly. The sector needs an adequate level of disposable income to ensure demand for the products which are made."

The solution, according to Mr Henry Forde, leader of the Barbados Labour Party, lies with changes in import regulations by Barbados's neighbours. "The Barbadian market is too small to sustain an adequate manufacturing base," he argued. "We need all barriers to be removed within the Caribbean Community. We need a capital market without exchange controls and a Caribbean stock exchange."

Yet there are others, such as Mr Harold Hoyte, managing director of the Nation newspaper, one of the island's two dailies, who believe that manufacturing, as it is being pursued in Barbados, will never reach a level where it will make a meaningful contribution to the country's development. "Wages are too high," he explained. "The Barbados dollar is tied to the US dollar, therefore we start at a disadvantage in competing in light manufacturing."

Heavy industry is seen neither as the next frontier nor as an alternative. Because of the economy's increasing dependence on tourism there is fear of polluting beaches and other damage to the environment. Heavy industry would also be at a disadvantage because of high shipping costs, expensive power and limited water supplies.

MANAGEMENT

The birth of a 'transnational'

Striving to exploit an elusive balance

Christopher Lorenz has spent much of the last few months inside Electrolux, the acquisitive Swedish industrial group, observing at close hand the many organisational dilemmas created by its strategy of rapid globalisation. In the first of a six-part series, he outlines the ambiguous nature of the solutions it is adopting

If Electrolux had the misfortune to be an American or British company, and was exposed to the full pressures of an impatient Anglo-Saxon stock market, this diverse Swedish multinational might by now have suffered the unwelcome attentions of a break-up specialist.

Unlike most raiders' prey, Electrolux has always operated on a very tight financial rein; it sets great store by its short-term performance, despite also taking a typically Swedish long-term view of its business.

Yet until February, when Electrolux produced a glowing set of results for 1988, its profitability had disappointed stock market analysts for several years, laying it open to criticism that it was over-extending itself in two critical directions:

● By making 100 acquisitions in a decade, on both sides of the Atlantic. These have not only expanded vastly its original household appliances business (still well over half of total sales), but have built upon a wide range of small and disparate activities picked up as part of previous acquisitions. Electrolux now claims to be the world's biggest producer of chain saws and garden appliances, as well as of the vacuum cleaners and "white goods" (large appliances) for which it is better known. In addition it is the second largest maker of car seat belts and professional catering equipment, as well as of refrigeration compressors. With total sales of SEK 74bn (£7.1bn), it is also active in aluminium smelting, commercial cleaning and laundry services, farm machinery and road surfacing equipment, industrial shelving, sewing machines and even artificial flowers. In all, it has two dozen "product lines" (what most companies would call divisions).

● By plunging into a controversial strategy of globalising several of its product lines, including white goods – an industry which some critics claim will remain fragmented by different national preferences, even within Europe after 1992.

Fortunately for Anders Scharp, Electrolux's president and chief executive – and for admirers of managerial innovation – the risk of raids is theoretical. The company is protected against hostile takeover by a combination of Swedish company law and the heavy voting majority of its powerful parent – the Wallenberg industrial empire.

From behind this protective wall, Scharp and his top managers are confronting an ambitious trio of exceedingly tricky strategic and organisational challenges.

Their progress towards all three – and the difficulties they are experiencing along the way – are of direct and pressing relevance to multinationals in all sorts of industries, not only in Europe but also in the United States. Electrolux's shareholder position may be unusual, but most of the external and internal dilemmas it faces are far from specific to its situation, or to the industries in which it operates. Nor are the measures it is taking to resolve them.

First, *strategy*. By making a string of major white goods acquisitions in Europe since 1984 – notably in Italy (Zanussi), the UK (Thorn-EMI's Tricity and Bendix interests), Spain (Corbero and Domar), and West Germany (Zanker and, currently, part of Buderus) – Electrolux has been pre-empting the competitive rush to build scale and presence in Europe.

In several of its industries, it has been pursuing globalisation with equal force, aiming to be number one, two or three in every country market where it is active.

Electrolux has not only proceeded in parallel with the construction of a sizeable American empire (especially since 1986 through the purchase of White Consolidated in appliances, and several companies in chain saws and garden appliances), but has also started to build various transatlantic "synergies."

In white goods its initial thrust towards international cost leadership has been focused on achieving economies of scale in production through the use of common components within very different finished products, tailored as before to national markets. But in the last 18 months, while still acknowledging current national differences, its publicity has also focused increasingly on the emergence of global "lifestyles" and products.

Electrolux executives admit that such statements may seem exaggerated at present, but they are convinced that a perceptible trend in that direction is under way. This is being driven partly by social trends but especially by the white goods makers themselves, as they strive for greater economies of scale. These are needed to offset intense price competition and rising development and investment costs as the industry enters a phase of greater technical and market innovation.

While continuing to meet different national demands, Electrolux is trying to play a leading part in the globalisation of the industries in which it is a player. It is determined to avoid the fate that has befallen western car manufacturers at the hands of the Japanese in the similar process which has occurred in the international motor industry since the late 1970s.

At first, this strategy took Electrolux out on its own, but its major competitors are now following suit. Even Britain's Hotpoint, the arch-champion of national strategies, is now discovering the attractions of international scale through a new alliance with GE of America.

Second, *organisation*. The principle of decentralisation is so enshrined in the Electrolux culture that its top managers used to describe the company as "hundreds of independent villages", or a set of "self-playing pianos". Now, however, Anders Scharp and his colleagues are trying to digest all their acquisitions and turn them into a set of what he calls interdependent but flexible "networks" – with product development, manufacturing and supply all spanning international borders.

In accomplishing this swing from decentralisation to integration, Electrolux is striving hard to avoid making the same mistake as most co-ordination-minded multinationals in the past: getting bogged down in bureaucratic and demoralising centralisation.

Instead, it is trying to achieve the best of both worlds, by combining global co-ordination and scale efficiencies with continued responsiveness to national differences (external and internal). In the jargon coined by Christopher Bartlett and Sumantra Ghoshal, two influential business school professors whose book on "managing across borders" will be published in the US in the middle of next month*, Electrolux is struggling to become a flexible "transnational".

Anders Scharp (left) and his deputy Lennart Ribohn: confronting an ambitious series of challenges

It is in good company. Such hardened organisational innovators as Hewlett-Packard, Procter & Gamble, Matsushita, and NEC are going through a similar process. This is a tough enough balancing act for these US and Japanese giants to achieve, but for Electrolux the task is harder still, for several reasons:

● it has to reconcile a set of cultural extremes, such as Italian hierarchical attitudes versus Swedish informality and collegiality;

● its experience of operating as a true multinational (five years) is relatively short;

● it has shifted with unusual speed from its previous functional organisation to an evolving structure which in some parts of the company has as many as four dimensions.

Inevitably, the ambiguous relationships which characterise such a structure are creating many internal tensions. These are arising not only between head office and some of the individual product lines, but also (especially in the complex white goods line) between interdependent units in different countries, and between the product line and strong "country managers."

If it were not for the parent company's informal and remarkably open culture, which encourages such conflicts to come rapidly to the surface for equitable settlement, the enlarged group could have become a seething mass of Machiavellian intrigue by now. Time and again, insiders stress that the system only works because of people's willingness to make it do so.

To many of those involved, though not to the outside observer, the least of the problems seems to be the strain of almost constant travel which is now felt by key executives at several levels of the company as they struggle to preserve its traditional ability to take rapid decisions through the hallowed method of "managing by wandering around". As Halvar Jonzon, a senior executive admits, the "wandering" has become more like "rushing" in the wake of the big Italian and American acquisitions of the past few years.

Third, *corporate parenting*. Despite the considerable diversity of Electrolux's range of businesses, Anders Scharp and his colleagues at its Stockholm headquarters deny vehemently that the group is just a portfolio. "I don't believe in conglomerates," Scharp stresses. Instead, he claims that, by tailoring their corporate style to the particular needs of Electrolux's various businesses, he and his top team add perceptible value to each and every one of them - apart, perhaps, from one or two peripheral and minor activities which may soon be sold.

In making this claim, Scharp and co rebut the doctrine that the head office of a company cannot operate with a sufficient degree of effectiveness towards businesses that have significantly different parenting requirements. Loud warnings to this effect have been issued over the past year by a team of consultants from McKinsey & Co, and by academics from Britain's Ashridge Strategic Management Centre. Scharp glances at a diagram of ideal "parenting roles" for different types of businesses, with its clear distinction between financial control, "coaching", and fully-fledged "orchestrating", and smiles: "Well, we really do do all three!"

"This is one of the real skills of Electrolux top management," claims one insider. "Anders Scharp acts as an orchestrator towards white goods, for instance, as a coach towards Granges (the aluminium subsidiary), and as a controller towards agricultural machinery."

Scharp and his corporate office certainly behave entirely differently from chief executives of the classical "financial control" school, such as Harold Geneen of ITT and Lord Weinstock of GEC. Though Scharp's deputy, chief financial officer Lennart Ribohn, is known around the group as "Mr 15 per cent" – the overall target currently applied to return on shareholders' equity, increase in operating income, and several other items – Electrolux's target-setting for individual businesses has long been more flexible than this suggests.

Just as significant, Scharp is very much an operational manager. His headquarters promulgates an evolving series of group-wide improvement programmes which fall squarely into the parenting category of "coaching". These currently cover such issues as quality, just-in-time supply, inventory control and accounts receivable.

On a personal level, Scharp's keenness to get involved in strategic discussions with most of the units beneath him is legendary within Electrolux. So is his ability to judge the effectiveness of a factory layout or product design just by wandering around the plant and asking the right questions. The respect which this creates is one of the factors which has eased the integration into the group of major non-Swedish household appliance companies such as White and Zanussi, which together were larger than Electrolux's own appliance interests before it took them over. Zanussi felt it had more to teach Electrolux than vice versa.

Yet the question remains whether Scharp, an engineer with deep experience in such traditional areas as vacuum cleaners and white goods, can possibly be as effective in his dealings with Electrolux's aluminium business, or its growing interests in commercial services.

It would have been easier for Electrolux to argue its case a few years ago, when its head office – supported by the financial acumen of Lennart Ribohn and his predecessor – was still run as a "troika" by Scharp and his two seniors, Hans Werthen, the grand old man of the company (now non-executive chairman) and Goesta Bystedt (now deputy chairman). Now, although the company is considerably larger, its only top executives with full-time corporate responsibility are Scharp and Ribohn. Despite their immense ability and appetite for work, "it is a little bit thin at the top," admits one of their divisional managers.

An equally pertinent question is whether, as Electrolux becomes still larger and more complicated, the sort of structures and procedures it develops to help head office control one especially complex business – white goods – will be applied inappropriately to more simple ones. Signs of such a tendency have appeared in the last year or two, creating something of a backlash from powerful product line managers against corporate staff whom they perceive as threatening their independence.

To Don Blasius, Electrolux's long-standing top manager in the United States, such strains are an inevitable by-product of a multinational organisation which is still feeling its way through a major internal evolution. As he says, "we're all learning new roles".

**Managing across borders*. By Christopher A. Bartlett and Sumantra Ghoshal. Harvard Business School Press. $24.95. UK publication by Hutchinson Business Books in early September, price £25.*

Over the next fortnight Electrolux's progress in meeting these organisational challenges, and resolving the many inevitable tensions, will be examined in further articles on this page. The next article will appear on Wednesday.

ARTS

Kurt Moll and Lillian Watson

Alastair Muir

Der Rosenkavalier

COVENT GARDEN

A successful *Rosenkavalier* revival at Covent Garden on Saturday. John Schlesinger's 1984 production is not wearing at all well, but at least it looked well-rehearsed (by Stephen Lawless); and almost every role, minor as well as major, had its place in the ensemble.

There were no extraneous bits and pieces, no International-Opera-style star turns. This was especially admirable in view of the fact that the scheduled Marschallin, Felicity Lott, fell ill just before the first night, and Lucia Popp flew in to save the occasion. Miss Popp is herself no International Opera adherent but a flesh-and-blood stage artist, who responds and gives of herself unstintingly. This was London's first chance to view her Marschallin (people with long memories recall her peach of a Sophie from two decades ago); in spite of the circumstances, and the fact that none of the costumes flattered her, it was happily taken.

She showed us an ample, womanly, natural Marschallin, a little muted in her regrets and reverie of the first act, capable in the third of flashes of anger and world-weariness more telling for the earlier restraint. The silvery tone, just a little on the light side for the role's middle-register conversational flow, developed a lovely sheen in the opera's closing stages. Illness has kept this singer away from London for what seemed like long ages; it was a joy to have her back, even only briefly.

She and Ann Murray have played in this opera together in Munich quite recently; and certainly, there was no lack of intimacy between them. Miss Murray's Octavian, moments of vocal bumpiness and excessive reliance on a "funny" Mariandel voice notwithstanding, is a portrayal of beautifully sustained delicacy; she does not hesitate to show the youth's tedious moments of immaturity, but charm kept them in check. With the new Sophie – Lillian Watson, attractively effervescent in personality, making excellent use of a high soprano a degree slight for Strauss at Covent Garden – Octavian's coltish freshness was at its most touching.

Kurt Moll's justly admired Ochs has arrived in London at lon., last. He is less full of voice than formerly; the ease and good humour of his playing are everywhere so winning that one is in no mind to reproach him for the patches of "coasting" in the singing. Gottfried Hornik's Faninal and Ludmilla Andrew's duenna stand out among several smaller roles finely touched in.

What really sets the seal on this revival is the expertly idiomatic conducting of Jeffrey Tate. He is on top form; he gets wonderfully full-blooded yet airy playing from the orchestra, keeps the words well to the fore at all times, and paces the long work so that the mixture of comedy and sentiment is never in the least indigestible (as in less confident hands it can be). Indeed, the only anti-Straussian element was the surtitling apparatus, which left out a shameful number of important lines and misrepresented rather too many of the remainder. Grotesque!

Max Loppert

Have faith in the Orange Street plan

Colin Amery supports the proposed extension for the National Portrait Gallery

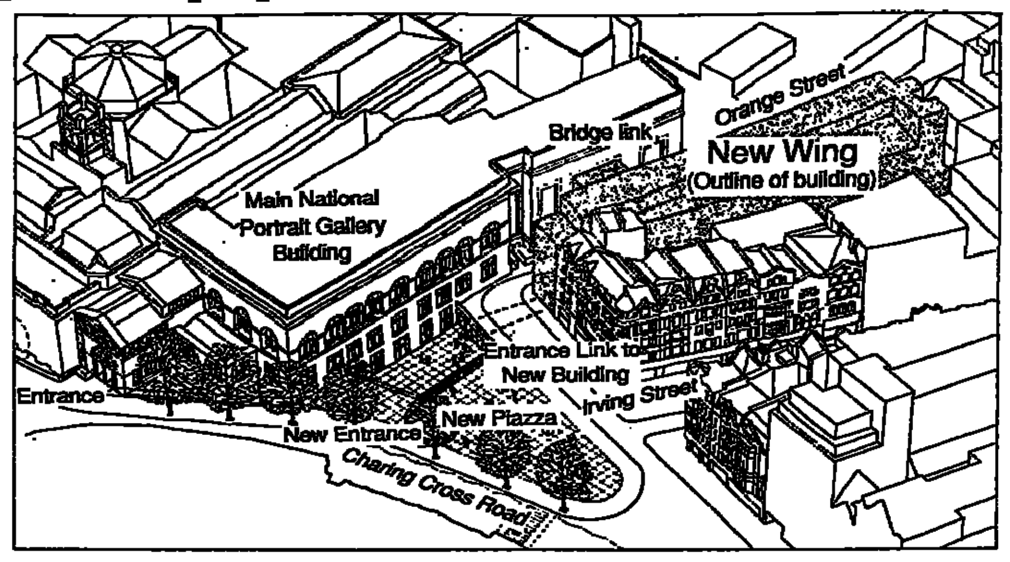
Things move slowly in Britain in the world of art and architecture. It was as long ago as 1972 that the government of the day published a White Paper agreeing in principle to the idea of a new building for the National Portrait Gallery. There have been ideas for a location on the South Bank, and on the Hampton site next to the National Gallery where the Sainsbury Wing is now rapidly rising.

Last summer things took a very positive turn when the present Minister for the Arts, Mr Richard Luce, agreed to purchase for the Gallery's expansion properties along Orange Street almost adjoining the present site. The result of this initiative means that the National Portrait Gallery now owns the freeholds of a substantial wedge of property in the West End and, after a limited architectural competition, exciting plans by the young architects Alan Stanton and Paul Williams have been prepared for an elegant extension.

The problem now is the eternal one of funding: how is the Portrait Gallery to find the cash – probably something in the region of £31m?

It is necessary briefly to look at the history of the gallery. It was founded in 1856 as "a gallery of the most eminent persons in British history." It is worth noting that all the present gallery buildings were generously provided by private patrons: the little known Mr William Henry Alexander gave the Italian palazzo style building designed by Ewan Christian, which opened in St Martin's Place in 1896; that great benefactor, Lord Duveen, gave the extension to the west of the main galleries in the 1930's.

Today these premises are inadequate. The nature of the collection demands room for growth. The number of visitors has leapt from around 300,000 in the 1970's to 637,000 in 1988. Parallel to this growth in public interest has been the remarkable growth of the collection – particularly in portraits of the 20th-century and photographs.



Stanton and Williams' overall plan for the area surrounding the NPG

A visit to the galleries is as much a journey through British history as an artistic experience. The chronological arrangement is clear and the recent refurbishment of several galleries has much enhanced the pleasure of a visit. The recently redecorated Regency Gallery, dominated by the splendid history painting of the reformed House of Commons, is magnificent. The room devoted to the arts in the 18th-century England looks suitably elegant with its red damask walls.

However, the fascinating and popular display of the great men and women of the 20th-century comprises 520 portraits squeezed into a mere 250 square metres of space. Walls revolve in the display to accommodate the ever growing number of pictures. Space is clearly at a premium. Of a total of some 9,000 portraits, some 1,500 are on show. The Orange Street development will almost double the space available and enable the library and archive, at present exiled to Lewisham, to return to its proper place.

Stanton and Williams, as architects, are best known for their exhibition design but there is no doubt that they have produced highly intelligent new plans for Orange Street.

The new building itself has a clarity and simple distinction. A bridge, wide enough to be a gallery in itself, is the main link at principal gallery level. On an awkward site, the architects have managed to bring a remarkable level of natural light into the building and have achieved a promenade of galleries and staircases that will be inspiring to visit. A cafe on the top floor of the new wing will have a view over the top of the National Gallery and down to Westminster. The 20th century collection will occupy the new space, allowing the reordering of the older galleries and considerable improvements all round for staff and visitors.

The Trustees, although clearly delighted with this scheme, are naturally worried about how to pay for it. Quantity surveyors have incorporated the gloomiest inflation adjusted building costs in their figure of £31m.

There is, in the wings, an offer from the property developers Olympia and York, of a riverside site for a new National Portrait Gallery way down the Thames at Canary Wharf. This offer is being investigated, but it leaves a great deal to be desired.

There is no doubt that the removal of a major national institution to the outer reaches of Docklands would be of inestimable benefit to any developer investing heavily in a long term gamble that London's future lies in the East End. The idea might just be contemplated if the developers were prepared to pay for the entire building: Olympia and York stand to gain so much from Canary Wharf, if it succeeds, that £50m for a new NPG would scarcely be noticed. But there is no point at all in moving such an important institution unless other cultural and national activities were to move there too. This would be entirely dependent upon a large-scale investment in new roads and a new underground which, at present, looks unlikely.

Any benefactor would be wiser to assist the National Portrait Gallery to build this extremely well designed new wing where it belongs, in the centre of the capital. After all, the Government has already purchased the site. The architects have produced a solution that looks well and works. The National Portrait Gallery manages its finances well, at present contributing some 30 per cent of income from its own trading and commercial activity, and is generous in lending its pictures to regional museums and country houses. There is enormous scope for more interpretative material and a more dynamic historical/educational role for this gallery of our nation's history.

A bold move by the trustees that shows appropriate faith in the Orange Street plan is what is needed now. Imaginative fund raising, with a bit more government help than the £2m sweetener offered with the site, could bring to the heart of London not just an extended institution but a fine modern building as well. The new NPG offers a great opportunity for a national benefactor to be remembered for ever.

Blithe Spirit

LYRIC THEATRE, HAMMERSMITH

There have been notable revivals of this literally immortal 1941 comedy of Noël Coward in recent years, but John David's clumsily second-rate touring production, stopping off for a couple of weeks in Hammersmith, is not one of them. Pinter found sleek presages of his own work at the National Theatre, while Marcia Warren's Madame Arcati in the West End a couple of years ago was a clean break with the batty Margaret Rutherford tradition.

The moment Peggy Mount strides on looking like an Indian squaw concealing a multitudinous tribe of flesh and limbs in her own travelling tepee, you know the game of creative investigation is up. That basso profundo is in good shape and the sonic boom of the unlikely cyclist and medium ensures odd guffaws on lines like "I'll pedal home in a jiffy; it's only seven miles."

But the evening is devoid of cunning, ambiguity, rhythmic flair and sharp edge. In a word, it lacks style, something you can re-define in new ways (as *The Vortex* at the Garrick shows) but something you absolutely must have in Coward. The lighting is abysmal, so is the choice of entr'acte music. Forsooth, the living room has painted bookshelves. And to redistribute Coward's three perfectly organised acts into two lumps of oddly consecutive scenes is a deed of gross stupidity and barbaric vandalism.

Neil Stacy's Charles Condomine, the novelist who is researching a book he proposes to write about a homicidal medium, is a wooden compilation of thrusts and parries, untouched by real panic. He produces raised eyebrows and other mild expressions of surprise like a children's entertainer unstringing a line of predictable tricks.

His second wife, Ruth (Deborah Grant), is compelled to endure the invisible, inaudible but, to us and to Charles, corporeal presence of her predecessor, Elvira. If Rutherford haunts Arcati, Kay Hammond still possesses Elvira. But at least Rula Lenska, an elegant grey wraith with tumultuous ginger hair, evinces a sense of hollow, cackling fun, and a fine, voluptuous regret.

Coward wrote the play to cheer up London in dark days, but even he conceded it might possibly be "important." The claims of the dead on the living underpin his frolicsome toying with newly current ideas of charlatanism and psychic research. The "insane amateur muddling" of Arcati, Miss Mount stretched out, immobile on the sofa like a great beached whale, is dangerously potent, while Arcati herself is the British hobbyist incarnate, fiddling about on the fringes of science and medicine. This production could not care less about that sort of thing, but Coward knew very well what he was doing.

*

I found myself yearning even for the unsatisfactory but vitally intriguing play by Martin Sherman recently seen at this address. *A Madhouse in Goa* transferred last Thursday to the Apollo, the cast still led by Vanessa Redgrave. It may not win any awards in the Noël Coward school of economy and construction, but *it* is written in floods of confessional tears and has its high comic moments. The title is as misleading as it is unappetising.

Michael Coveney

Cleveland Orchestra

FESTIVAL HALL

The opening concert of the Cleveland Orchestra's London visit was hailed by Max Loppert on Saturday's Arts Page, and their second appearance on Friday amply confirmed his enthusiasm for the orchestra's playing and its music director Christoph von Dohnányi. Once again the programme was inviting, and not at all the box-office fodder one has been become used to hearing from touring orchestras in the Festival Hall. Though it ended with Schubert's Ninth Symphony - a spruce, classically correct account, full toned but never over-sumptuous, rhythmically precise but not too emphatic - the first half was devoted to Tippett's Triple Concerto in which the Cleveland's string principals, Daniel Majeski (violin), Robert Vernon (viola) and Stephen Geber (cello) took the solo parts.

Dohnányi was not long ago the target of several London orchestras, keen to engage his penetrating musical intelligence on a more regular basis. Hearing him in these concerts and on recent recordings conduct a wide range of repertory with unfaltering command nad understanding sharpened the regret for his infrequent visits here: few contemporary conductors are at once so selfless and so perceptive; few conductors, in short, are so utterly compelling.

The Tippett was vividly projected - again without any hint of fulsome glamorising or superfluous flesh – and made a convincing case for at least the first two movements of this concerto.

Andrew Clements

The third Cleveland Orchestra concert here, on Saturday, was the last in their arduous European tour, and by the final piece – the First Symphony of Brahms – they were sounding a little frantic. Earlier, the strings had delivered Bartók's evergreen Divertimento with impressive efficiency. I should have said "in excellent style," too, if their litheness and tough bite had been complemented by some playful touches. This is music which often fakes an improvisatory air; correct tempi and well-drilled sound aren't everything. One example among many: each phrase in the mock-dainty polka before the end is preceded by a little upbeat swoop. Irresistible – in Europe, anyhow – to delay the downbeat by a suggestive micro-second; but the Clevelanders were flatly metronomic.

In Beethoven's Piano Concerto "no. 2" – in fact his first – their conductor Dohnányi secured graceful, uninsistent support for their Polish soloist Krystian Zimerman. Zimerman likes to cultivate an intimate manner in concerti: disconcerting in, say, the Brahms Second, but very prettily found in this non-heaven-storming Beethoven. Small details gleamed freshly, and he rang subtle changes on the accents of the rondo-tune at its every return.

In Brahms's First Symphony, despite Dohnányi's continuous grip, there was a hectic, pressurised feeling – exciting, but only half the story. Though the beginning was classically controlled, neither over-anxious nor too heavily portentous, the middle movements offered precious little relief after the Allegro. With Dohnányi encouraging every subsidiary voice to thrust itself forward, their central sections teemed furiously; apart from the prologues and epilogues (charming in the Allegretto), there were no points of repose.

In the finale, by which time the keen horn-quartet had got the bit between their teeth and become domineering, the dramatic changes of tone and pace were minimised. Everybody remembers them from first, indelible acquaintance with the symphony; but here they were reduced to mere changes of gait within a bustling overall drive. The epic dimensions of the movement, and therefore of the whole work, were narrowed. The net effect was importunate and flash, quite unlike Dohnányi at his best – not to mention Brahms.

David Murray

Ute Lemper

ALMEIDA THEATRE

THE ATMOSPHERE was almost right. The piano, the hat and cane were in place, and the confined space of the Almeida Theatre, with its general air of deprivation, provides an appropriate ambiance for a late-night cabaret that is to be serious as well as alternative – if only the environs of Islington were not so noisy, even past midnight.

No matter; the artist in question could hold her own over that and other distractions. Ute Lemper has come from her native Germany on a massive wave of publicity, and this recital (I heard her Friday night performance, the opening one of three) was the first chance for Londoners to hear her sing live, an attractive prospect, given that Miss Lemper combines feline sensuality with sharp, intelligent eyes that fix the audience's attention.

Her reputation has been made with Kurt Weill, and it was a selection of Weill's songs, from *The Threepenny Opera* through to the later Broadway shows that she sang here. Some idea of how she feels about this music was given in one telling spoken aside, when she told how incensed she had once been at hearing a hard-line Brecht/Weill performer turn one of the later American songs into a grating caricature.

Lemper really sings the songs and treats early and late Weill alike with equal respect. Even in the *Mahagonny* solos, where the historic records of Lotte Lenya in her later years tread a narrow path between speaking the text and singing it, the young German put the vocal line first. Even better were the American numbers – "September Song," and "My Ship" from *Lady in the Dark* hauntingly simple, understated Weill of an intoxicating kind.

The piano accompaniments (in the professional hands of Jurgen Knieper) blunt the cutting edge of the scores at their most abrasive, and a piece like the "Saga of Jenny," that marvellously satirical colaboration with Ira Gershwin, does call out for the big guns of an orchestral backing. For Ute Lemper herself, though, this was a memorable London debut that showed the records do not lie.

Richard Fairman

SALEROOM

Pre-Raphaelite view

With the Grosvenor House Antiques Fair operating at full throttle, the salerooms are hoping to relieve the international dealers and collectors in town for this event of the London season of any spare cash by organising some important auctions this week.

Tomorrow night Sotheby's is selling 19th century pictures, with the highlight a view of the Val d'Aosta by John Brett. It is promoted as "perhaps the greatest of all pre-Raphaelite landscapes." Brett, a very slow worker, spent most of 1858 on the meticulous view, which was so admired by the critic Ruskin that he bought it for £200. Now Sotheby's is anticipating bids in excess of £750,000.

Its only rival in terms of price in the auction is a view of a waterfall in a pine forest by the German artist Caspar David Friedrich. For the artist the waterfall is an allegory of life and youth coming forth from the mystery of the forest. It could sell for £1m.

Tonight Sotheby's holds another evening sale, this time of interest to all the bibliophiles arriving for the international Antiquarian Book Fair which opens at the Park Lane Hotel tomorrow, as well as many smaller bookfairs. It consists of the eleventh and final part of the celebrated collection of the late Major John Abbey which has taken over twenty years to disperse.

The most important lot is the Monypenny Breviary, with fifty full page miniatures and fifty nine smaller paintings, by the two great French 15th century miniature makers, Jean de Montlucon and his son Jacquelin. It was actually commissioned by a Scotsman, William Monypenny, of Ardwenny, around 1490 when he was living in Bourges, and could sell for £600,000.

Christies is counter-attacking with such gems as the Harcourt Emeralds, which could sell on Wednesday for £1m, making it the most expensive item of jewellery sold at auction in the UK. The thirteen stones in the necklace were mined in Colombia in the late 19th century and have an emerald weight of 162.16 carats. They belonged to the Dowager Viscountess Harcourt, and were made up by Cartier in London around 1920.

Alternatively you can buy the Crown jewels for around £15,000. Sotehby's is offering them, or rather a replica collection in gilt metal and paste, on Thursday. They look worryingly like the real thing. More indirect royal memorabilia back at Christie's on Wednesday when a collection of 65 unpublished autograph love letters written written between 1878 and 1882 by Lillie Langtry, the mistress of King Edward VII, to her secret and constant lover Arthur Jones, come under the hammer.

Antony Thorncroft

ARTS GUIDE June 16-22

MUSIC

London

Royal Philharmonic Orchestra conducted by André Previn, performing Beethoven. Royal Festival Hall (921 0800) (Tues, Thurs)

London Symphony Orchestra conducted by Kent Nagano performing the Messiaen Turangalila Symphony. Barbican Centre (588 1116) (Thurs)

Paris

Alicia de Larrocha, piano, playing Schubert and Granados. (Mon) Théâtre des Champs Elysées (47203637).

Alfred Brendel, piano, playing Haydn, Brahms, Weber, Mendelssohn, Beethoven. (Mon) Salle Pleyel (45638873).

Ensemble Intercontemporain conducted by Arturo Tamayo. Luis de Pablo (Mon), Falla, Cristobal Halffter, Jose Luis Delas, Enrique Raxach (Tue). Both concerts at Théâtre Renaud-Barrault (42560880).

Amsterdam Concertgebow conducted by Nikolaus Harnocourt, performing Schubert, Berio, Beethoven (Tue). Théâtre des Champs Elysées (47203637).

Ensemble Orchestral de Paris. Francoise Pollet (soprano), Jean Hubeau (piano), Nouveau Quatuor Viotti playing Schoenberg, Debussy, Fauré (Tue). Salle Gaveau (45632030)

Maria Tipo, piano playing Bach, Debussy (Tue). Salle Pleyel. (45638873)

Orchestre de Paris conducted by Neeme Jarvi, Ghidon Kremer, violin playing Shostakovich, Strauss (Wed, Thur). Salle Pleyel (45638873).

Orchestre National de France conducted by Seiji Ozawa with Radio France Choir and Maitrise performing Honegger's Oratorio Jeanne au Bucher (Thur). Saint-Denis Basilica (42301516).

Brussels

BRT Philharmonic Orchestra conducted by Alexander Rahbari with Josef de Beenhouwer, piano, playing Shostakovich and Verbesselt (Thur).

Florence

Teatro Comunale. Zubin Mehta conducting Mendelssohn, Beethoven and Schumann (Thur) (2779236).

Tokyo

Philharmonia Quartet, Berlin, with Karl Leister (clarinet), playing Haydn, Brahms, Beethoven. Shinjuku Bunka Centre. (Mon) (498 5890)

The Wallace Collection. Britten, Handel, Elgar, Purcell, Grainger. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Tues) (403 8011)

Japan Philharmonic Orchestra conducted by Sir Charles Groves. Brahms. Suntory Hall. (Tues) (334 5911)

Malcolm Bilson (fortepiano). Haydn, Mozart, Beethoven. Suntory Hall, Recital Hall (Thur) (470 2727)

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Spain enters the ERM

SPAIN AND THE UK have in common centuries of gazing away from the European continent. The world has changed and Spain and the UK have both changed with it. Yet it is Spain, long cocooned in Franco's last ditch effort to keep out the modern world, which is making the more profound and more rapid adjustment to the new realities. By contrast, the UK takes each step towards her new destiny with head turned backwards towards such lost glories or fictitious alternatives as the empire, the "special relationship" with the US and the joys of untrammelled sovereignty.

After membership of the European Community itself, full membership of the European monetary system (EMS) has become the prime symbol of commitment to European integration. It is partly in this light that one should regard the unexpected decision of the Spanish Government to enter the exchange rate mechanism (ERM) only three years after joining the EC. But the unexpected decision to participate fully in the ERM also has an economic dimension.

In 1987 and 1988 the growth of Spain's gross domestic product (GDP) was around 5 per cent, the highest in western Europe. But domestic demand, led by fixed investment, grew still faster, pushing the current account from a surplus of 1.7 per cent of GDP in 1986 to a deficit of 1.1 per cent in 1988.

Stronger peseta

After substantial success with disinflation during the course of the 1980s, underlying inflation began to respond to the demand pressures in the second half of 1988, rising to around 6 per cent on a year-to-year basis in early 1989. In response, the Bank of Spain has tightened policy since the late summer of 1988, with money market interest rates rising from 10½ per cent to close to 15 per cent. Partly for this reason, but also because of the scale of the long term capital inflow, the peseta was strong and foreign exchange reserves have risen to $42bn.

This conjunction of circumstances is very similar to that of the UK a little over a year ago. There is obviously a risk that Spanish interest rates will fall too far from the domestic point of view, as happened in the UK, in order to keep the peseta within its band (even though that is the relatively wide one of 6 per cent on either side of its central rate). The dilemma will be eased, however, if the recent weakening of the peseta is maintained.

Some domestic critics regret Spain's failure to go in at a more competitive rate, but a a country prone to relatively high inflation cannot safely enter a fixed rate system at an "undervalued" exchange rate. The exchange rate itself would then impose no counter-inflationary pressure, while short term interest rates would be driven down excessively, in order to resist appreciation. This is a recipe for an inflationary explosion.

Imbalances

Mr Carlos Solchaga, Spain's Finance Minister, was right to take the peseta into the mechanism at the present rate and accept the consequences for the external balance (or use fiscal policy more aggressively). He can take comfort from the fact that capital markets are already ignoring the intra-European "imbalances". Under credibly-fixed exchange rates, capital flows respond with great alacrity to relatively small differences in real rates of return.

The Spanish Government has thrown down the gauntlet before Mrs Thatcher. It is demonstrating its disagreement with her surprising view that entry in the ERM should follow lower inflation rather than help to achieve it.

It is also telling her that she will be still more isolated in the discussion of the Delors report in Madrid next weekend. One unfortunate consequence is that she will be in a poor position to criticise the genuinely weak points in the report. Worse still, the results of the Euro-elections suggest that stout chauvinism is not very popular at home. It is likely to get less popular still over the next two or three years, as the British electorate discovers that the UK's splendid isolation is accompanied by the highest rate of inflation and the lowest rate of economic growth of the larger European economies.

The challenge of global scale

ELECTROLUX, the acquisitive Swedish multinational, is in the process of making its eleventh takeover of a domestic appliance maker in five years. This time the prey, part of the Buderus group, is West German. Previous ones have been Italian, Spanish, American and British, as well as German.

As the first manufacturer in its industry to "go global" – and to anticipate the rush to build European-scale in advance of 1992 – Electrolux has been the subject of widespread criticism that "bigger does not mean better." Its detractors have argued that the greater profitability of certain medium-sized national competitors, notably Hotpoint in Britain, shows that large scale is not necessary in domestic appliances and may be a handicap.

As the doctrine of globalisation has been taken up in other industries, the critics' argument has been used to mount a much broader case against the principle of scale.

Economies of scale

There is certainly room for doubt about the logic of the rush to build global scale in certain industries. But in the case of appliances such as refrigerators and washing machines, the logic is becoming powerful. Even if national preferences for finished products still vary quite widely, considerable economies of scale can be achieved in product development and component purchasing, as well as in final assembly.

Hotpoint, part of GEC, has been remarkably profitable over recent years – unlike other national players, such as Thomson in France and Thorn in Britain (Electrolux bought the latter's interests two years ago). But this success has rested much less on production economics than on marketing flair, and on lack of strong competition in several market segments.

With the cost of product development and new manufacturing equipment rising sharply, and with competitors starting to broaden their product ranges, Hotpoint has itself now joined the rush for scale by forming a joint venture with American GE. It hopes to benefit in several ways: from GE technology, from cheaper components, and from greater muscle in negotiations with potential continental partners.

At the same time Merloni, another traditional critic of the need for scale in the appliance industry, has changed course, with the acquisition of its fellow Italian company, Indesit. Officially, Thomson still espouses the national case for white goods, but this part of its portfolio has become peripheral to its strategy of international strength in consumer electronics, semiconductors and defence, and it can be only a matter of time before it makes a foreign alliance.

A head start

For all these companies, the trick from now on will be to achieve maximum economies of scale across borders and oceans without alienating different national consumers by excessive homogenisation. As in many other industries today, that will involve a difficult learning process with regard both to product strategy and to internal organisation.

On both fronts the experience of the past five years has given Electrolux a head start. It seems to have used it well. On the one hand it is taking full advantage of the ability to produce wide ranges of some product types within giant factories; like Daimler-Benz in trucks, it finds that the cost of supplying many national variants tends to fall with increased scale. But it is also keeping a network of smaller European factories for niche products, and for those where transport costs do not justify cross-border shipment.

Internally, the company has created an unusual organisation structure which is intended to allow tight co-ordination while avoiding the excessive centralisation and bureaucracy that plagues many global-minded multinationals.

This balancing act is proving difficult to manage at present, but it may prove to be a highly effective model for the many other western multinationals which face a similar challenge. Starting today, Electrolux's experience will be examined in a Management Page series on the birth of a transnational.

Peter Bruce on Spain's decision to plump for full membership of the EMS

Discipline for an over-strong peseta

Urging Mrs Thatcher to follow his example: Spain's Prime Minister, Felipe Gonzalez

When Mr Felipe Gonzalez, the Spanish Prime Minister, meets Mrs Margaret Thatcher, his British opposite number, in London today, the talks will take place a few hours after the peseta officially joins the exchange rate mechanism of the European Monetary System (EMS).

The snap decision to join – taken by the Spanish Cabinet on Friday – leaves sterling as the only major EC currency still not a full EMS member. (The Greek drachma and the Portguese escudo are also outside the exchange rate mechanism.)

With the Madrid EC summit that ends Spain's presidency of the Community just a week away, Mr Gonzalez's message to London could hardly be less subtle – Britain should drop its objections to the recent Delors report supporting European monetary union and join the exchange rate mechanism soon.

Mr Gonzalez is not a bombastic man, though, and he will not be pounding any tables. As much as he wants to end Spain's EC presidency with a flourish – unanimous agreement to enter phase one of the Delors recommendations on July 1 next year and an implied commitment to follow through to total monetary union – he is already partly resigned to the likelihood that Mrs Thatcher will refuse. (The Delors report says all EC currencies should be full EMS members before the start of phase one.)

But Mr Gonzalez and some other EC leaders are beginning not to care that much about what Mrs Thatcher does. At an informal EC Finance Ministers' meeting on the Costa Brava last month, it was being quietly suggested that, if the UK refused to start phase one next year, then ways would have to be found to proceed without it.

Spanish membership of the exchange rate mechanism – it joins at Pta 65 to the D-Mark, and, like the Italian lira, will be allowed to fluctuate in a generous 6 per cent band – has come remarkably quickly. Less than two weeks ago, Mr Carlos Solchaga, the Finance Minister, promised a gathering of bankers in Madrid Spain would join before July 1 next year, but hardly anyone expected a decision so soon. Even more striking was the Government's ability to keep its intentions secret.

The move, although it will strengthen Mr Gonzalez's case when he presses Mrs Thatcher to take the pound into the EMS today, was made primarily for domestic reasons:

● May inflation figures published just before Friday's Cabinet meeting were the best so far this year – 0.1 per cent – an enormous boost for a government which has been forced to abandon its ambitious 3 per cent inflation target for 1989 and which is now facing price rises of around 6 per cent for the year. Its efforts to stop runaway consumer spending have driven up interest rates and subsequent speculation has strengthened the peseta to an uncomfortable degree. In the past few weeks, however, the currency has begun a welcome decline and closed in Madrid at Pta 64.39 to the D-Mark before the EMS announcement.

● Mr Gonzalez, in his seventh year in power and facing a general election in June, 1990 at the latest, appears to have won a big vote of confidence in the European elections last Thursday. Normally reliable exit polls say his Socialist Party won 38 per cent of the votes, just one percentage point down on the last European poll in 1987. His two main right-wing opponents – Mr Manuel Fraga's Partido Popular, and the Centro Democratico y Social headed by the former Prime Minister Mr Adolfo Suarez – lost more and failed lamentably to capitalise on the Government's rift with Spain's trade unions and its troubles with inflation.

Now Mr Gonzalez is gambling his anti-inflation policies and Spain's economic growth by accepting full membership of the EMS. Reaction from Spanish business has been swift and enthusiastic, despite some carping by a wounded opposition.

"It was a very courageous decision," said Mr Manuel Soto of Arthur Andersen, who is a pillar of Spain's business establishment. "It is a reflection of the Government's commitment to fight inflation and to establish a new challenge for Spanish society, which will have to accept the discipline of the EMS.

"Although it might create some difficulty, EMS membership will remind us that we are not alone in Europe. We will have to abide by the rules."

No one, in all probability, was happier about the Government's move than Mr Mariano Rubio, the Governor of the Bank of Spain, who has been beating the EMS drum for nearly two years. With the Government hesitant about cutting its spending or raising taxes, he has had the thankless task of increasing interest rates every time Spain's economic boom has threatened to run out of control.

Two years ago, it was costing Spaniards more than 20 per cent to borrow money. The official rate fell to nearly 10 per cent last summer, but has since risen to almost 15 per cent again.

Taking the peseta fully into the EMS now – with prices rising, tourist receipts falling, and the trade balance so bad that the current account deficit will more than double this year to $8bn, or 2 per cent of Gross Domestic Product – is a risky business.

Trade union pressure for increased social spending will not go away, largely because union leaders know that the Government has a huge $42bn currency reserve cushion to fall back on.

By submitting to the discipline of full EMS membership now, the Prime Minister is betraying either a reckless Spanish machismo or another local trait which recently led one long-resident foreign banker to describe the Spaniards as the "Prussians of the Mediterranean."

The Government has not had an easy ride politically since the end of last summer. A one-day general strike on December 14 in protest at the conservative drift in economic policy brought the country to a standstill. Mr Gonzalez's refusal to meet subsequent union demands almost brought him to the brink of a panicky general election but his nerves have held.

In January, Mr Solchaga was forced to impose a fierce credit squeeze after it had become obvious that his 3 per cent inflation target for the year was implausible.

During the European election campaign, in which for the first time ever the Socialist trade union, the UGT, refused to support the Socialist Party, it looked as if Mr Gonzalez would shed votes quite heavily. But, apart from a tiny leakage to the Communists, nothing happened.

By placing the peseta in the EMS now, he is clearly signalling that Spain's period of complete reliance on monetary policy is at an end.

The 1990 budget will be tough. The Government has already shown some willingness to rein in its fiscal policies; last month it took Pta 250bn (£1.27bn) out of circulation by cutting ministerial budgets and raising and bringing forward corporate withholding taxes.

For a start, Mr Solchaga is going to have to find at least Pta 220bn to pay for a constitutional court ruling last December that has thrown Spanish tax collection into disarray this year. The court said married couples could no longer be forced to declare joint incomes. Because it has taken months to design a new tax regime, income tax declarations have been delayed six months until November, when married couples will be able to report separately, and, hence, move into lower tax brackets.

The affair will lose the Treasury about Pta 120bn in collectible taxes and at least another Pta 100bn in interest on revenues that have not yet been collected.

But Mr Gonzalez's political arithmetic will have told him that, if he was able to hold the Socialists' European vote last Thursday despite the bad political and economic omens, only a major blunder – and not mere belt-tightening – can stop him winning a third general election. He may even call one early, perhaps in November.

Spain's EC presidency has not been a glittering success, but the going gets tougher as 1992 approaches, and Madrid has brought the presidency's big issue – monetary union – to the point where only the obvious opponent, Britain, remains isolated.

No doubt, both that issue, and the equally contentious social charter, will come up in Mr Gonzalez's talks with Mrs Thatcher in London today. He is every bit as hard-working and energetic as she is, and he feeds off trouble. Picking his moment and then suddenly subjecting Spain's young and fragile economic success to the discipline of a body – the EMS – which he cannot fully control is typical of Mr Gonzalez. "It is better that everyone (business, unions, and foreign investors) knows the rules of the game," says Arthur Andersen's Mr Soto. And that is what Mr Gonzalez intends.

A last-minute wrangle, then restrained jubilation in Brussels

SPAIN'S decision to join the exchange rate mechanism of the European Monetary System caused the European Commission sufficient pleasure for it to break its normal public reticence on monetary matters with a formal statement: "In present circumstances, (the decision) takes on a particular importance for the encouragement it gives to the development of economic and monetary cooperation."

The added joy, for Mr Jacques Delors, the Commission president, was that he had, for once, a solid alibi against any accusations from Downing Street that he was again driving too far and too fast down the road to monetary union. He was closeted with EC foreign ministers in Luxembourg last Monday, when in Basle Mr Mariano Rubio, the governor of Spain's national bank, first told his EC counterparts that Spain intended to be in the EMS by the end of the week.

None the less, last Friday's meeting of the Monetary Committee, composed of finance and central banks officials of all 12 EC states, turned out not to be a simple endorsement of a Spanish decision to join. The seven countries whose currencies fluctuate inside the system with a margin of 2.25 per cent tried to talk Spain out of its request for the same fluctuation margin of 6 per cent as Italy has. (Of those representing major countries, only UK officials stayed silent, though they took copious notes.) Indeed, there was at one point some legalistic argument that the wider margin was only available to currencies that joined, like Italy, at the outset of the system in 1979.

The issue was only settled in favour of the Spanish demand when the Italians rounded irately on the rest and insisted that the question of wider margins within the EMS was not for immediate negotiation. But Rome and Madrid will soon face pressure to close ranks with the rest, as the concluding communiqué made clear. Fluctuation margins of 6 per cent are to be allowed "for a transitional period," but they are to be reviewed "with a view to (having) such margins reduced as soon as economic conditions permit."

The reason is simple. The EMS was set up at a time when the inflation rates of countries participating in its parity grid were all over the graph. Since then, these rates have gradually converged, downwards. Therefore, margins of 2.25 per cent, let alone 6 per cent, no longer seem so constricting.

The review of EMS margins is likely by July 1990, when eight of the 12 EC states are due to remove all remaining controls on capital flows. Spain is not one of this number, having two further years to lift foreign exchange curbs. It is hard at this stage to tell whether the peseta's entry into the EMS will change this timetable. But, since Spain's existing controls are on inward, as well as outward, capital flows, scrapping the curbs might strengthen, rather than weaken, the peseta inside the system.

David Buchan

OBSERVER

Used to be plain Frank

■ "The aim is to challenge some of the sacred cows that are still mooching around the Irish political landscape," said Proinsias De Rossa, leader of Ireland's Euro-Communist style Workers Party recently.

De Rossa, 49, certainly did some political cattle rustling in last week's Irish general election. His party made significant gains, particularly in working class areas of Dublin and, having won seven seats in the Dail, the Irish parliament, WP could hold a vital position in a new minority administration.

Once known as plain old Frank Ross, De Rossa has been – among other things – a postman, a bus driver and an encyclopaedia salesman. At one stage he looked after the family potato business.

The Workers Party grew out of the old Sinn Fein. De Ross's political activities landed him in prison in Ireland in the late 1950s, but since becoming party leader last year he has turned the party firmly in the direction of constitutional politics and, as the election results testify, substantially broadened its appeal.

A slight stutter has not prevented De Rossa from being one of the most enthusiastic of Dail debaters since he was first elected eight years ago. The Workers Party leader is also likely to be elected as a European MP and is looked on as a new scion of the left and an increasing irritant in the traditionally conservative world of Irish politics.

Chaos in Paris

■ In case the revolutionary spirit might seem to be dying out in France, the Government is doing its best to goad the population into a second storming of the Bastille by *stamping firmly* on any misguided attempts to enjoy the 200th anniversary of July 14.

Parisians were already incensed by the week-long ban on driving or parking in a large segment of western Paris. The Government is now trying to provoke the tourists as well by closing the Louvre museum, already shut down for a month earlier this year, from July 11-15.

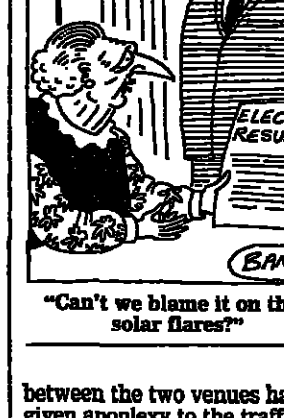
Meanwhile, the Marseille prison is up in arms because its inmates think the Bicentenary amnesty is too stingy, and the Bretons are boycotting the July 14 Parade because they are upset by the pastiche folklore that Jean-Paul Goude, the Parade's impresario, wanted to impose on them.

At the root of the problem is the decision to combine the Bicentenary with the annual summit of the seven major industrial nations. It might have seemed a good idea a year ago, when the organisation of the Bicentenary was in a state of near-collapse, but the safety of these heads of state and government is proving incompatible with mass celebrations. Add to the seven-member summit a selection of 20 leaders from Africa, Asia, Latin America and Europe, and you have a recipe for chaos.

The 20 are most definitely not invited to the summit proper, however. On the evening of July 14 the rich are invited to dinner by President Mitterrand at the Hôtel de la Marine, on the Place de la Concorde, while Madame Mitterrand and the Prime Minister receive the "poor relations" from Africa and Asia at the Crillon next door.

Most of the summit is safely exiled to La Défense, beyond the western border of Paris, but Mitterrand could not resist showing off another of his Pharaonic monuments, so the *private meetings of the seven* leaders will take place in the new Pyramid of the Louvre.

The 10 kilometre shuttle between the two venues has given apoplexy to the traffic control specialists of the Paris police. Already incapable of organising even a minor state visit without blocking off the Champs Elysées, this time they want to close down the entire city, including the motorway to Orly airport.



"Can't we blame it on the solar flares?"

Musical chairs

■ The Berlin Philharmonic Orchestra is reluctantly coming to terms with the fact that its divorce with Herbert von Karajan is less amicable than the musicians had hoped.

Their initial reaction was to ask Karajan to conduct a farewell concert. He declined to meet the orchestra's delegation and seems to be switching his affections to an old flame: the Vienna Philharmonic.

As the Berlin musicians *deliberate whether to appoint* an immediate successor to Karajan, they discover that their Vienna rivals have supplanted them on a US tour they were due to make with Karajan in October. Karajan has also ensured that the Vienna Philharmonic will replace the BPO as resident orchestra at next year's Whitsuntide weekend concerts in Salzburg.

The Berlin musicians are none too pleased. What rankles even more is that after working at Karajan's Easter Festival in Salzburg since its inception over 20 years ago, the Berliners are almost certain to be ousted next year by an East European orchestra: the Leipzig Gewandhaus.

Supporters of the Vienna Philharmonic – which is too heavily committed at the Vienna State Opera to take on the Easter Festival as well – say the Leipzigers are a much more experienced pit orchestra than the BPO. They are also cheaper.

Inconvenient

The long-running traffic hold-ups at the foot of Ludgate Hill near Fleet Street are caused by the excavation of London's last major bomb-site. So a taxi-driver told us, and the Corporation of London confirms his information. Prior to development, archaeologists from the Museum of London are excavating the east bank of the former River Fleet with its medieval remains. Best find so far is an 11th century wooden lavatory seat designed for three.

Irish wisdom

■ Lord St John of Fawsley was on sprightly form on Any Questions on Friday: much more rebellious than when he was a member of the cabinet as plain Norman St John-Stevas. He thinks that the Government should abandon the Water Bill. He also told the story of the Irishman on his death-bed being asked to renounce Satan and all his ways. "Father," he said, "this is no time to be making enemies."

Christina Lamb in Kabul talks to Yuli Vorontsov, the Soviet Union's representative in Afghanistan

The man who calls the tune

They say that in Kabul nothing happens without his approval. President Najibullah often calls him three times a day. The compound where he lives with the 250 remaining Soviet officials in Afghanistan is, along with the airport, the main target of the Afghan guerrillas based in the mountains around the city. The Soviet lifeline of 40 planes a day flying in both economic and military aid to the besieged Afghan capital is believed by diplomats to be keeping Najibullah's regime alive. They add wryly: "Who foots the bill calls the tune."

He is Yuli Vorontsov, Soviet First Deputy Foreign Minister. He arrived in Kabul as Soviet Ambassador eight months ago for what he described then as a "limited time" that he now says will be over "pretty soon".

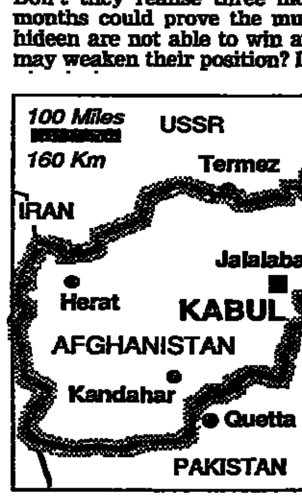
He accomplished the first half of his "specific task" – the safe withdrawal of 120,000 Soviet troops by February 15 – with flying colours, negotiating *de facto* ceasefires with guerilla commanders along the dangerous Salang highway to the Soviet Union to enable them to leave in dignity with minimum bloodshed.

The second part – starting the peace process – has proved more troublesome. Hectic diplomatic shuttling between Pakistan and Iran, hosts to some 5m refugees and headquarters for the resistance parties, achieved little. Since the last of two meetings between Mr Vorontsov and mujahideen leaders broke down in January, the guerrillas have refused to reopen the dialogue because, Vorontsov suspects, of "American pressure."

Now, with the departure of the Soviet troops and the failure of the mujahideen to capture the important town of Jalalabad, consensus finally seems to be forming amongst their principal backers, Pakistan and the US, on the need for a political solution. In the recent meeting between Ms Benazir Bhutto, Prime Minister of Pakistan, and President George Bush, the need for a non-military solution was discussed for the first time.

Vorontsov doubts America's intentions. "I do not believe American phrases about a political solution because I know their plans. I know they are telling the mujahideen in Peshawar that they should concentrate their attack on Kabul and other cities. That is what the administration is really thinking. This is the perfect time for negotiations. Afghans on both sides are ready but the Americans are dragging people back to the battlefield because they want to see the military crushing of Najibullah. They want their revenge for Vietnam."

Last week the US State Department issued a statement of readiness to re-open high level talks with the Soviet Union for the first time in 18 months, but Mr Vorontsov insists: "The Americans are not willing to talk to us. When Secretary of State James Baker was in Moscow last month, our Foreign Minister Shevardnadze and President Gorbachev wanted to talk seriously about Afghanistan but he simply refused to discuss it. The Americans do not want a settlement now – they want to give it one more military try. Don't they realise three more months could prove the mujahideen are not able to win and may weaken their position? I'm



afraid they are making a big mistake."

Mr Vorontsov warns that though he believes Najibullah is committed to negotiations, in a few more months some of the Afghan president's more hardline colleagues may not be so agreeable. But he adds "It is not a victory yet – they are in a complicated military situation. The balance of human power is with the mujahideen but the advantage of heavy weaponry with the government."

He is critical of the American strategy. "They are thinking in military not political terms. They believe if they send in another $1bn in arms they will win but the situation here is very different to the thinking in Washington. There are 10,000 missiles around Kabul, and the mujahideen are not firing."

Mr Vorontsov adds: "The Americans are always the last to realise change. Just as it took them to 1933 to realise the change the October Revolution brought to the Soviet Union so now they are the last to realise that the Soviet soldiers have gone and many mujahideen don't see why should fight. Several missiles found in Jalalabad were not primed – instead they had notes attached saying 'Dear Moslem brothers, we don't want to fight.'"

Many Soviet officials have expressed surprise at how well Najibullah has fared since the Soviet forces left in February when even Soviet analysts were predicting the imminent collapse of his government. But Mr Vorontsov argues he was always confident of Najibullah's ability. "He is a talented man who learns fast. He is the proper man for this period and there is no need to change him but he is ready to have change, a new broad-based government which will not be a Najibullah regime but a national reconciliation regime. The US says he should step down because no-one will serve under him but he does not want to lead the government, just to be part of it. Why should he hand over to the nonsense of the Peshawar people [the Pakistan-based resistance leaders]?"

"In my last meeting with the Peshawar seven in January I said: 'If there are elections we will not only know Najibullah's strength but also yours – you are self-appointed people each one claiming the backing of the nation.'" Mr Vorontsov says that, when he told the Pakistan-based resistance groups this, "they were quiet except for Gulbuddin's representative because who will support Khalis or Sayyaf? No-one knows them in Afghanistan. Maybe Rabbani will get some votes because he's from the north."

This a curious analysis of the relative strengths of the four fundamentalist leaders out of the seven Peshawar-based resistance groups. Gulbuddin Hekmatyar is the leader of the most extreme fundamentalist group; though he benefited from Pakistani and US support during the Soviet occupation he has no strong base within Afghanistan and his fighting group has the poorest battlefield record. Yunis Khalis, Rasul Sayaf and Burhanuddin Rabbani all have extensive power bases and family connections within Afghanistan.

Moscow's man in Kabul: Yuli Vorontsov, Soviet ambassador

Vorontsov claims that some of the seven leaders have begun negotiations with Najibullah which will soon be made public. "At the moment they are denying they met him, and the US is accepting this at face value. They should realise this is Afghanistan not Detroit.

"The alliance is split already and soon it will be official. When they created the interim government they committed suicide. They are working on different wavelengths in different directions. Several leaders will fade away taking their millions from wheeling and dealing with Saudi, American and Pakistani money and settle in Switzerland."

He admits that the interim government has caused him one problem because all seven leaders are in it. "We will meet them as an alliance of seven but not as an interim government because we do not want to give them the opportunity to say that because we met them we recognise the government."

Mr Vorontsov claims Najibullah's previously faction-ridden People's Democratic Party of Afghanistan is now united – although to other observers in Kabul there is no evidence to suggest that the deep rifts between the Parcham and Khalq wings have been resolved. He admits however that "there could be differences and jostling for power in the party once negotiations are under way."

He believes Zahir Shah, the former king now living in exile in Rome, could be the man to bring the two sides together. "He realises this and has a plan which he's outlined to me and it is realistic."

Vorontsov says the Afghan involvement is still "costing too much" though at an estimated $500m a year it is far less than the billions of dollars which the Soviets admit to having poured into the nine year occupation. "The Americans say we have stockpiled but I promise everything we left has been spent during the Jalalabad battle. According to our military specialists the amount of ammunition used at Jalalabad is four times that spent in the battle of Stalingrad because, unlike the German and Soviet armies, the Afghans are getting it for free and so are not economical."

"We have closed the gas pipeline [from Afghanistan to the Soviet Union] so the government is now earning nothing. Everything we supply them – food, money, arms – is free. The Americans say they will buy back their Stingers so maybe after the war we will buy back our tanks to help provide the millions needed for reconstruction."

Mr Vorontsov denies that his Government has any objectives in Afghanistan. "People keep forgetting we did not install this regime – in fact they were strangers to us. It is an Afghan regime and we cannot just take away what we did not create. We received 11 requests to send our troops and rejected 10."

He admits that sending the troops was a mistake. "Our idea was to help. Our mistake was we should have done it differently as we are now without force." He adds: "While we were here we made more mistakes which history will judge. It was our mistake to christen the PDPA communists. They're not – they are progressive nationalists and good Moslems."

Mr Vorontsov hopes peace will come this year. "We could start with proximity talks as we did with the Geneva Accords, then later have direct talks. But the American decision is not to have negotiations. They want the same humiliation for us as they had in Vietnam. They want to see Soviet embassy staff clinging to helicopters to take us away – but I keep telling them my roof is no good for helicopters."

LOMBARD

Remains of the Rose

By Colin Amery

THE BATTLE over the recently discovered remains of the Rose Theatre on the South Bank of the Thames in London has stirred archaeological and Thespian passions. Commerce and history have been made to play opposing roles on the public stage in a struggle that is not as epic as it might appear.

There is nothing new about the play of market forces on the South Bank. The impresario Philip Henslowe opened the Rose Theatre in (circa) 1587, where it is recorded that he staged the first performances of Shakespeare's Titus Andronicus and Henry VI. But he was soon to face rival playhouses in Southwark, and it was competition from the Globe, which opened in 1599, that led to the demolition of the Rose in 1603.

Thespian protesters have deplored the decision of Mr Nicholas Ridley, the Secretary of State for the Environment, not to schedule the remains of the Rose as an ancient monument. They are unhappy with the compromise reached with the developers of the offices on the site, despite the fact that preservation of the remains and their accessibility to the public is now assured. A redesign of the lower floors of the proposed office building will both protect and exhibit the remains.

Theatrical protesters are a special breed. They see the site as a holy shrine that should never again be sullied by any form of development. They have called for a judicial review of the Environment Secretary's decision. If there is any inquiry it will show the difficulty of scheduling any site after planning permission has been granted for development. The spectre of substantial compensation is bound to be raised. When English Heritage's total annual budget for archaeology is only £7m, it is unlikely that the estimated compensation of up to £30m could be paid from public funds.

Mr Ridley has acted carefully, using the voluntary code of practice that has existed between developers and archaeologists since 1986. His officials at English Heritage feel that all that could have been achieved by scheduling has been achieved by voluntary agreement. The remains will be excavated and preserved on the site and will be accessible to the public "in museum conditions." The developers of the proposed office building have agreed to substantial design changes to ensure that pile driving and construction work will not damage the remains, and the building work will be monitored by English Heritage.

All this has been accomplished under the 1986 voluntary code, an agreement between the British Property Federation and the Standing Conference of Archaeological Unit Managers to encourage co-operation between developers and archaeologists. In fact there has been little tension between developers and diggers; a highly publicised episode like the Rose Theatre discovery can distort the picture.

In the three main areas of London where there are important archaeological remains – Southwark, the City and Westminster – some 500 sites have been excavated or examined in the last 10 years. Of these only seven have been deemed important enough to demand special measures for their preservation. The Museum of London has some 350 archaeologists ready to dig in the capital, and grants from both developers and English Heritage ensure that necessary work is carried out.

The Rose row does offer some lessons. The scheduling of nationally important archaeological areas and monuments needs to be speeded up. Once it is known precisely where these areas are, local authorities should insist upon proper evaluation of important sites before the granting of planning permission. The long awaited Government circular on planning procedures and archaeology should be issued forthwith.

The next site in Southwark to be developed is known to be the site of Shakespeare's Globe Theatre. Proper time must be allowed for the fullest possible evaluation of the remains, particularly as a replica of the Globe is now definitely to be built. Time, careful excavation and a mixture of public and private funds should ensure that there is not another storm in a cockpit.

LETTERS

Dilemma for Lloyd's

From Mr Alan Smallbone.

Your leader (June 9) identifies two principles: that "names" (members of Lloyd's) should pay only their own losses; and that after 36 months their liability should be closed off. The second can only be achieved if someone else then assumes responsibility for unqualified and unnotified claims – which appears to conflict with the first.

But in reality it does not do so if those taking on such risks are properly paid. The key word is "properly". Underwriters are under an obligation so to calculate that premium, known as the reinsurance to close (RITC), as to deal fairly with those on both closing and accepting syndicates, which inevitably involves including an amount for incurred but not reported (IBNR) losses.

Notwithstanding the seemingly endless deterioration of old years, requiring today's underwriters to pay for late-advised incidents decades old, and the hopeless insufficiency of too many past IBNR estimates, the Inland Revenue has started to question this component of the RITC as a tax avoidance device.

Your own suggestion that Lloyd's should abandon "notions" such as unlimited liability smacks unhappily of the Inland Revenue's incomprehension of reality.

Are you suggesting that once some "names" have reached their limits, policyholders should go without – or that other "names" should step in sooner, to carry their losses? If the latter, are they to be paid in advance for this? If so, how? And if not, what of your first principle?

Or are you being constructively radical? Are you suggesting that the increasing numbers of (often corporate) investors in the shares of Lloyd's underwriting agencies, who contribute nothing at all to the security of the Lloyd's policy, but whose hunger for dividends may encourage unsound underwriting on the backs of "names'" capital, should be required to join in the rescues?

Alan Smallbone,
30 Temple Fortune Lane, NW11

Government attitude to industry

From Mr Derek Coggrave.

Sir, The UK Government's attitude to manufacturing industry is that, having provided a free market, the ailing infant will grow into a strong, healthy child. "Laggards in the export race" (June 5) illustrates that the only sectors of the engineering industry with good prospects are aerospace and defence equipment.

The paradox is that this is the section of industry most tightly controlled by the Government, with "golden" shares, restrictions on foreign share holdings, qualifications regulations enforced by law. This would seem to indicate that the Government should move from a dogmatic to a more pragmatic approach to industries' problems.

Derek A. Coggrave,
23 Wentworth Park, N3

Investment management tempo speeds up

From Mr David Damant.

Sir, Mr Alex Hammond-Chambers of Ivory & Sime makes some perfectly valid points in his letter (June 8) But my comment that "judgmental managers will be out of business within five years" was not essentially concerned with opposing judgmental to quantitative techniques; judgmental methods have indeed survived in the US in the current situation.

My point is that, with the rapid computerisation of all types of stock exchange information, all approaches to the investment problem – including the judgmental – will have to become systematic to a degree which will so radically change the tempo of investment management as to amount to a difference in kind.

Some computerisation can be very rapid (for example, prices and dividend information); some will take five or perhaps seven years (for example, the creation of data banks of comparable accounting information). And there will be some areas where the traditional approaches will hardly be upset.

But any fund management house which does not plan now for a significant degree of systemisation in that time period is, I believe, making a fundamental mistake. At the moment there are niches of opportunity which there is time to exploit; these time lengths – and some of the niches themselves – have a limited shelf life.

David C. Damant,
Paribas Asset Management,
68 Lombard Street, EC3

Selling medical data

From Dr Abraham Marcus.

Sir, On June 9 you published an article on your technology page about the activities of two companies which have been giving "free" computers to general practitioners in order to obtain prescribing information to be sold to the pharmaceutical industry.

The Department of Health has sent a letter to both companies, AAH Meditel and Vamp, outlining the legal position. This says that GPs cannot disclose prescribing information without obtaining permission both from the Family Practitioner Committees, which own the data, and from the individual patients with whom they have a relationship of confidentiality. This is a very different view from that which seems to have been conveyed to your correspondent by the companies and the doctors using their systems.

The white paper on the NHS foreshadows the computerisation of the whole of general practice. Some 10,000 practices will eventually be producing data. Leaving aside the legal position, anyone with the technical and financial resources could have purchased data without the large investments made in the "free" systems.

Abraham Marcus,
Update Computers,
19-30 Alfred Place, WC1

Turn back London's tide

From Mr Charles Hazel.

Sir, Recent correspondence in the FT noted the effectiveness of water transport in Venice. That is unfair; Venice does not have to contend with tidal flow. The Thames will not realise its full transport potential until the tide is removed – at least in the London area.

This is less improbable than it may seem. Weirs on rivers are an ancient means of tidal and flow control; a weir located just to the east of the Victoria docks would:

- Stop the tidal movement upstream from the weir, enabling a design of river transport suited to a fixed draught and headroom, and not requiring an upstream approach to piers;
- Ensure that lock gates into the inland dock basins could remain open, permitting fast river transport to enter the City airport terminal area;
- Cause flotsam to move more slowly, allowing easier removal and identification of the source responsible, thus reducing a principal problem for river transport.

A river crossing is about to be constructed to the east of the docks; it could be incorporated into a weir design. The crossing could be shared with a rail crossing connecting the Kent/Dover services with the North London line to Fenchurch Street, Liverpool Street and the City airport terminal.

Absence of tidal movement would open up the Thames for greater leisure use and safer sailing. The sea level is known to be rising; flood precautions will probably have to be replaced by about 2010; a weir can meet the revised needs.

In this way, at a cost not much greater than the proposed Thames crossing east of the docks, both a road and rail crossing would be provided – plus improved potential for river transport, replacement of the present barrage, and better leisure opportunities.

The Government is throwing £750m at the Central line without, apparently, providing any real increase in the capacity of this London tube line. But not a penny to Thames transport. A few millions spent there, and Mr Ken Livingstone, the former leader of the Greater London Council, would have gone down into posterity after all.

Charles Hazell,
16 Bemish Road, SW15

FINANCIAL TIMES
Monday June 19 1989

Janet Bush on Wall Street

Enjoying the 1838 overture

"We were a start up company with 150 years of history," says Mr Thacher Brown, President of 1838 Investment Advisors.

He is referring to July last year when he and his colleagues bought out their money management company from Drexel Burnham Lambert, the first of what turned out to many divestitures after Drexel's settlement of securities fraud charges with the Securities and Exchange Commission.

The company's new name refers to the year 1838 when Mr Francis Drexel, a musician, turned his talents to investment advising in Philadelphia and introduced to the securities industry one of its most famous names.

A year into the company's independence, Mr Brown and Mr John Springrose, who looks after the marketing of 1838's fixed income and equity management business, are enjoying life.

Although the business had always been based in Philadelphia and was run as an autonomous unit, there has been a measure of relief in coming out from under Drexel's umbrella.

"It wasn't a killer being part of Drexel during the investigation and after the indictments, but there was a cloud over us," Mr Springrose says.

He reckons that about 80 per cent of new business comes from searches using consultants who put pass on names of money managers to clients. In a hugely competitive business where it is already difficult to choose between money managers, the indictment meant that Drexel's team would sometimes be weeded out at the start, despite its fine reputation.

In the year since Drexel sold the business, 1838 has increased its total of funds under management from \$2.2bn to \$2.8bn, a more positive performance then its new owners expected.

In the first year they were simply concerned to hold the old business together, but they have in fact hired two more employees by two and increased business.

Mr Brown believes there is a tremendous future for independent money management companies which offer clients the service one would expect from investment advisors who own, and therefore have a financial stake, in the business.

He sees the buy-out of 1838 from Drexel as part of a trend of deconglomeratisation. Last week, Shearson Lehman Hutton announced that it was selling its institutional money management businesses to some of its managers.

One of the claims to fame of the 150-year old Philadelphia company is that it runs one of the oldest closed end bond funds around. Launched in 1973 as the Drexel Bond-Debenture Trading Fund, it is now called the 1838 Bond-Depenture Trading Fund.

Over the last 10 years, the fund has achieved an average annual total return of 12.11 per cent compared with 10.72 per cent on the benchmark Shearson Lehman Government-Corporate Index.

Of the \$2.8bn under management, \$1.3bn is in equities and \$1.5bn in bonds. Like many other money managers, 1838's investment strategy is based on tracking the performance of the Standard & Poor's 500 on the argument that the index invariably outperforms stock pickers.

Like the S & P 500, 1838 is fully invested in equities at all times and replicates the mix of the index by maintaining, for example, 12 per cent in technology stocks. In bonds, like the Shearson index, 1838 is fully invested, has 70 per cent in government securities and maintains an average life of 10 years.

Within these formuli, value can be added by choosing stocks within sectors or bonds within a segment of the yield curve: stocks or bonds which are neglected, unloved and undervalued.

Mr Springrose has a few ideas of how the business can expand. The first is into the international arena. The second is into the public, as opposed to private, pension fund arena.

Public pension fund assets are growing fast while corporate pension plans are shrinking. This is partly because companies are changing the mix of employee benefits sometimes by replacing some of the benefits of a retirement plan with a stream of income from an Employee Stock Ownership Plan, for instance.

It is also because, with the wave of buy-outs and takeovers, many private pension plans have been liquidated as companies are swallowed.

Gonzalez to talk with Thatcher

By David Buchan in Brussels and Peter Bruce in Madrid

MR FELIPE GONZALEZ, the Spanish Prime Minister, arrives in London today in a last-minute attempt to persuade Mrs Margaret Thatcher, the British Prime Minister, to drop her outright opposition to European Community monetary union and an EC social pact ahead of the Madrid summit next week.

The two leaders will meet for brief talks just hours after the peseta formally joins the exchange rate mechanism of the EMS after the Spanish cabinet decided on Friday to speed up its entry.

The Socialist Government's decision, prompted by a sharp fall in inflation in May and a solid result in the European elections, has been widely welcomed by Spanish business.

Mr Carlos Solchaga, the Finance Minister, said it was unlikely that by subjecting the peseta to exchange rate discipline that the country's forecast 4.5 per cent economic growth this year would be damaged and that the decision would provide the Government with an important weapon in its fight against inflation.

However, Spain is likely to come under pressure in coming months from most of its partners in the exchange rate mechanism to reduce the 6 per cent margin within which the peseta can fluctuate against other EMS currencies.

The majority desire to reduce margins within the EMS, which will also affect Italy where the lira has always had a similar 6 per cent fluctuation band in the system, became evident at Friday's meeting of the EC Monetary Committee.

It reflects the feeling that convergent inflation rates among the countries participating in the mechanism now makes it possible for them to tie their currency rates more tightly together. Seven of the nine currencies in the system are allowed to fluctuate against each other by only 2.25 per cent up or down.

At the Monetary Committee meeting, a concerted effort was made to try to talk Spain into joining with exactly or nearly the same 2.25 per cent band for the peseta. This was quashed only when Italy supported Spain's desire for a wider band. But the committee, composed of finance and central bank officials of the Twelve, agreed to review the wider – 6 per cent – margins "with a view to have such margins reduced as soon as economic conditions permit."

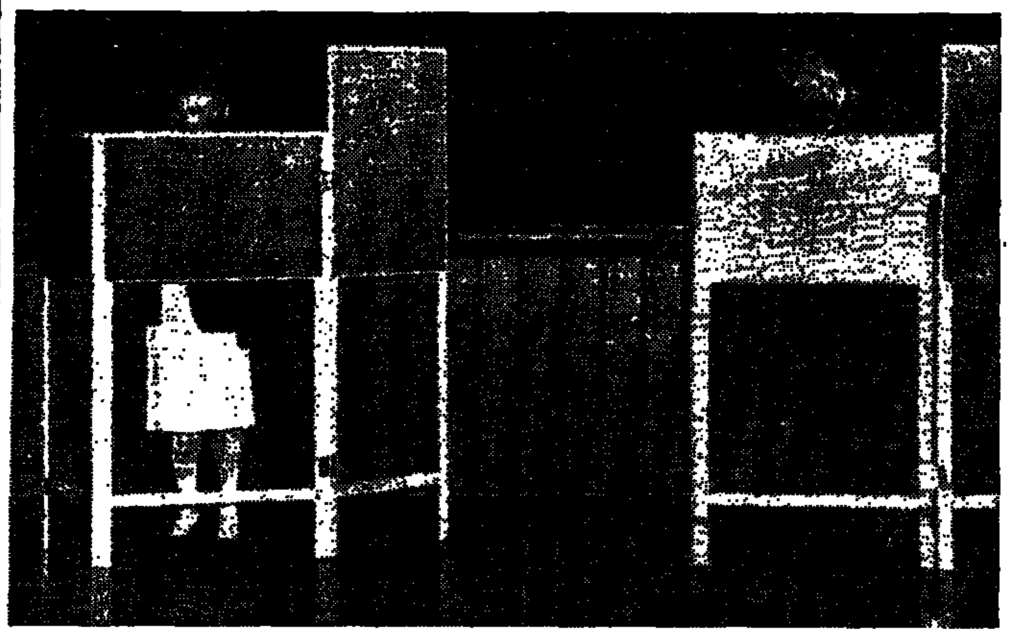
Mr Solchaga responded by saying the peseta's full 6 per cent room for manoeuvre would not be used except in cases of "sharp movements" on the currency markets. Changes to the EMS exchange rate mechanism two years ago have, in fact, made it easier for national authorities to intervene before currencies hit the limits of their fluctuation margins.

To maintain the peseta's parity, Spain will be able to draw on short and medium-term financing via the European Monetary Co-operation Fund. Spain had already committed 20 per cent of its reserves (gold and dollars) to this fund as a condition of joining the EC.

Later today, EC Finance Ministers meeting in Luxembourg are due to announce a new weighting for the Ecu which, from September, will include the peseta and the Portuguese escudo.

The weighting for the peseta is expected to be just over 5 per cent. But forming part of the Ecu basket is not necessary for the Spanish currency to have been set, as from today, a central rate against the Ecu for the purposes of joining the EMS exchange rate mechanism.

Editorial comment and Background, Page 18



West German Chancellor Helmut Kohl and his wife cast their votes yesterday for elections to the European Parliament. Throughout Europe, 150m people were eligible to vote in seven countries

UK Tories face split over poll

Continued from Page 1

Turnout appeared to be down on the level of five years ago.

The same appeared to be true for Spain and Portugal. Voting is compulsory in Greece, which like Luxembourg also held a general election yesterday. But there was some initial chaos in Greece when returning officers failed to show up on time.

In the UK, a number of Tory members of both the Westminster and Strasbourg parliaments said the stridently nationalist and defensive tone of their party's campaign – decided on by Mrs Thatcher – had contributed to the Government's defeat.

Mr Edward Heath, the former UK prime minister who clashed several times with Mrs Thatcher during the campaign, accused the Government of "scaremongering" over Europe and said that its approach might lead to defeat in a general election.

Sir Anthony Meyer, the vice-chairman of the Conservative backbench committee on Europe said his party's campaign approach had been "disgraceful," and that Mrs Thatcher was "solely" to blame.

The Government's performance also raised concern that Britain risks being isolated at the summit of European Community leaders in Madrid later this month, if Mrs Thatcher does not tone down her opposition to plans for an EC-wide social charter and to closer monetary integration.

Mr Gonzalez, who last Friday's announced Spain's surprise entry into the European Monetary System's exchange rate mechanism, will meet the Prime Minister in London later today.

There is little certainty among British ministers, however, that her electoral defeat will persuade the Prime Minister to moderate her stance.

Few Conservatives were expecting the final results to be as bad as the 12 point lead for Labour projected by a BBC exit poll, but the weekend saw intense speculation about the implications of such a poor performance for the cabinet reshuffle expected next month.

Although there is little doubt that Mrs Thatcher will be under increased pressure to "freshen the image of the government," there is some scepticism that she will be pushed into a dramatic reshaping of the Government. That, according to some ministers, would look too much like panic.

A suggestion by Mr John Biffen, the former leader of the House of Commons, that Mrs Thatcher should seek an end to her differences with Mr Nigel Lawson over economic policy by moving him to the Foreign Office was also being treated with caution. One of Mr Lawson's colleagues said that the general view was that he would stay on as Chancellor for at least another year.

Despite the criticism of Mrs Thatcher by Tory candidates in the election – Mr Peter Price, the candidate for London South-East, said she was squarely to blame – ministers played down its central role.

The general view was that it had undoubtedly been badly handled.

Greece goes to polls in national elections

Greece yesterday went to the polls in national elections in which Socialist Prime Minister Andreas Papandreou was striving to maintain his position in the face of bitter criticism from conservative opposition leader Constantine Mitsotakis over financial scandals and alleged economic mismanagement.

Dark clouds, Page 2

Brazil bank chief may quit after stocks crisis

By John Barham in São Paulo

MR ELMO de Araujo Camões, president of Brazil's central bank, is expected to announce his resignation today after the stock market scandal that rocked the country's financial markets last week.

Mr Camões is the main shareholder in a brokerage severely damaged in the scandal. Mr Camões said he left day-to-day operations at the brokerage Capitanea to his son, when he took over at the central bank in 1988.

Brazil's stock markets were closed last Monday after one of their leading speculators, Mr Naji Robert Nahas, failed to honour \$31.1m in debts on June 9, plunging local capital markets into crisis. They reopened on Tuesday, but a 10 per cent limit was imposed on share price oscillation.

Mr Sergio Barcellos, president of the Rio de Janeiro exchange, where Mr Nahas was most active, has temporarily stepped aside. During the stock market debacle, Mr Barcellos came under fire for not restricting speculation.

A central bank team is investigating the Nahas affair and could order the closure of insolvent brokerages this week. Four brokerages, including Capitanea, are reported insolvent.

Mr Camões said: "My son will try to save the company. He should be able to manage it, but he made a mistake and should be removed from its management."

He said that even if he could solve the problems at the brokerage firm "I would not feel comfortable in my job."

Mr Camões was an associate of Mr Nahas in a São Paulo investment bank. Brokers said his son suffered heavy losses at the hands of Mr Nahas seven months ago during a previous market tempest.

Mr Camões's departure would reduce friction between the central bank and the finance ministry to which it is nominally subordinate.

Mr Camoes is a close friend of President José Sarney, but opposed many policy decisions by Mr Mailson da Nobrega, Finance Minister. Mr Camões is an ardent defender of debt-to-equity conversion auctions, which were suspended at the beginning of this year.

One of the names frequently mentioned to replace Mr Camões is Mr da Nobrega's second in command, Mr Paulo Cesar Ximenes.

The Nahas affair has again thrown attention on the unstable economy and the high interest paid by an almost insolvent Government which have attracted capital for short-term speculation. The scandal also highlighted the surprising lack of regulatory rigour in a market that has always been extremely volatile

Latin America urges support for Brady Plan, Page 3

Nato telecoms venture formed

By Paul Betts in Paris

SIX EUROPEAN and North American companies including Plessey, Thomson, and Siemens, have linked to develop a new telecommunications system for Nato's European forces.

The development cost of the military telecommunications system is expected to reach about \$350m. For the six industrial partners, however, it could lead to orders worth \$4bn-\$5bn over 20 years if Nato gives final go-ahead for the venture next year.

Technical responsibility for developing the new system has been given to Thomson CSF, the French state-controlled defence and electronics group. The group's Rita mobile military communications system was chosen by the US army three years ago.

Thomson's partners in the new venture include Plessey Electronic Systems of the UK, Siemens of West Germany, Italtel of Italy, Spain's Inisel and CDC of Canada.

The new advanced battlefield communications system is known as Mids, short for Multi-functional Information Distribution System, and is due to become operational in the 1990s. If Nato gives the green light, it will be developed by a New Jersey-based company called Midsco set up by the six industrial partners. Thomson exhibited for the first time a mock-up of a Mids terminal at the Paris Air Show, which ended yesterday.

Thomson also signed at the air show a co-operation agreement worth about FFr500m (\$73m) with Mr Bob Hawke, the Australian Prime Minister, to renew Australia's air traffic radar and control centres.

US to press Moscow, Page 2

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	F	21	70	Malta	F	23	73	Rhodes	S	23	73
Algiers	S	26	79	Edinburgh	S	22	72	Manchester	S	26	79	Rio de J'o	-	-	-
Amsterdam	S	23	73	Faro	F	21	70	Manila	F	34	93	Rome	S	25	77
Athens	S	25	77	Florence	S	27	81	Melbourne	C	11	52	Salzburg	R	14	57
Bahrain	S	34	93	Frankfurt	F	26	79	Mexico City	F	25	77	San Francisco	S	12	54
Bangkok	F	34	93	Funchal	F	21	70	Miami	R	28	82	Seoul	R	21	70
Barcelona	F	23	73	Geneva	S	23	73	Milan	S	27	81	Singapore	F	30	86
Beirut	F	30	86	Gibraltar	S	26	79	Montreal	R	16	61	Stockholm	F	19	66
Belfast	S	23	73	Glasgow	S	25	77	Moscow	F	24	75	Strasbourg	-	-	-
Belgrade	F	20	68	Guernsey	S	18	64	Munich	C	20	68	Sydney	F	18	64
Berlin	F	25	77	Helsinki	F	19	66	Nairobi	R	15	59	Taipei	C	34	93
Biarritz	-	-	-	H. Kong	F	31	88	Naples	S	26	79	Tangier	F	22	72
Bombay	R	25	77	Innsbruck	C	18	64	Nassau	F	31	88	Tel Aviv	S	28	82
Bordeaux	-	-	-	Inverness	S	23	73	New Delhi	F	35	95	Tenerife	S	25	77
Brussels	S	24	75	Islamabad	C	35	95	New York	S	22	72	Tokyo	R	17	63
Budapest	F	21	70	Istanbul	R	21	70	Nice	-	-	-	Toronto	C	13	55
B. Aires	C	18	64	Jakarta	F	30	86	Nicosia	F	33	91	Tunis	S	25	77
Cairo	S	32	90	Jersey	S	23	73	Oporto	F	21	70	Valencia	S	26	79
Cape Town	-	-	-	Jo'burg	F	18	64	Oslo	S	22	72	Venice	S	24	75
Caracas	R	27	81	Lima	F	19	66	Paris	F	26	79	Vienna	R	16	61
Casablanca	-	-	-	Lisbon	C	23	73	Peking	F	29	84	Warsaw	C	19	66
Chicago	C	18	64	London	S	23	73	Prague	F	19	66	Washington	F	21	70
Cologne	S	25	77	Los Angeles	Fg	15	59	Reykjavik	C	10	50	Zurich	S	23	73
Copenhagen	S	23	73	Luxembourg	S	24	75								
Corfu	S	23	73	Madrid	F	28	82								
Dallas	-	-	-	Majorca	F	27	81								
Dublin	S	21	70	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

PLO accepts poll plan

Continued from Page 1

awaiting a reply to written questions it had forwarded to the US about the Shamir election plan. It would then signal its response to the US suggestion for a delegation to negotiate the terms of an election.

The PLO leader spoke bitterly of the consequences of a previous Israeli-sponsored election process in the occupied territories. Mr Arafat said he gave his backing to 1976 elections that resulted in overwhelming support for PLO-aligned figures and cost him support in his own leadership group, and which had not yielded positive results.

He noted that of those pro-PLO figures elected, some had been deported, one killed and others jailed.

● Mr Arafat described as "shameful and unbelievable" the killing of four Palestinians in the Gaza Strip since Friday by Israeli troops. "Where are the human rights of the Palestinians?" he asked. "The American administration is very interested in all human rights everywhere, except with Palestine."

THE LEX COLUMN

The foreigner in the Rolls Royce

The 15 per cent limit on foreign ownership of Rolls-Royce and British Aerospace is impractical, unnecessary and inefficient. In these days of global equity markets, it is ludicrous to expect foreigners to buy shares one day, knowing they may have to sell a couple of weeks later once the registrars have caught up with events. As the business of both companies is so international, it is not clear why the shareholdings should be so arbitarily constrained; and while the depressing effect on the share price may be less than the companies like to think, the market is still being distorted unnecessarily.

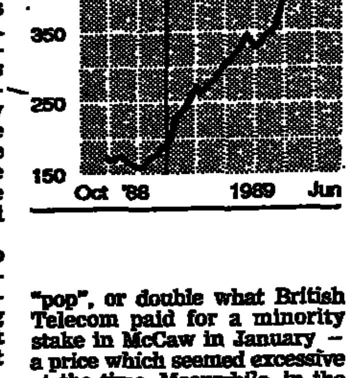
If the Government wants to protect itself against any specific threat to its defence interests, it has other ways of doing so. The Golden Share may not be a particularly potent weapon, but the MMC is perfectly capable of telling undesirable foreigners to push off, as it did with the Kuwaitis.

Unfortunately, it is not as simple as that, and the fact that the matter has not been sorted out after more than a year of wrangling between the DTI and Brussels shows how entrenched the political issues are. For the Government the very principle of national ownership of strategic assets is at stake, while for Brussels it is a question of discriminatory treatment of fellow European citizens.

The chances are that the final compromise will be little better than the present arrangement. The idea of making a distinction between Europeans and other foreigners would be an administrative nightmare, whereas the introduction of a new category of non-voting shares offends against the level playing field. The least bad compromise would be to raise the ceiling; but any debate about the appropriate level exposes the nonsense of the whole thing. As soon as a new limit starts to bite it becomes as objectionable as before, but a ceiling that is forever above the level of foreign demand might as well not be there. The only sensible option would be to scrap it altogether, but given the Government's intransigence, that scarcely seems likely.

Cellular values

Looking at the prices of cellular phone companies on both sides of the Atlantic induces vertigo. The recent bid by McCaw Cellular Communications for LIN Broadcasting valued the latter's cellular licences at nearly \$300 per "pop", or double what British Telecom paid for a minority stake in McCaw in January – a price which seemed excessive at the time. Meanwhile, in the UK, Racal Telecom is valued at about £100 per pop – three times what it was floated at only last autumn.



Both point out that it is nonsense to use traditional price/earnings ratios to value cellular companies – the investment costs are so high that most cellular operators have yet to make money. Even so, the fashion of using pops – the populations of the areas where cellular companies operate – means valuations have lost touch with reality. Given that the penetration of cellular phones in the US and the UK is only about 1 per cent of the population and the subscribers are shared between two companies in each area, the actual cost of each subscriber would be closer to \$30,000.

The answer, of course, is that the infant mobile communications revolution has a long way to go. In future, we are told, everybody, not just the city yuppie and sales manager, will want a mobile phone. This prediction may be spot on, but the current valuations can only be justified if another key assumption – that the current market structure is set in stone – is also valid. If each of the established operators were guaranteed half of the cellular market in perpetuum, if no new technologies were introduced to challenge cellular's position as king of the mobile market, and if regulators were going to be happy to see cellular operators making returns on capital of 100 per cent and more in the late 1990s, investors would have no reason to doubt that current valuations would stick.

The snag is the fragility of these assumptions. Governments are not likely to put up with cosy duopolies forever, and new mobile technologies are emerging which promise to be viable mass market alternatives to cellular. The British Government has already said it plans to inject more competition into the mobile market early next decade by licensing two new "personal communications" operators. While these could not be cellular lookalikes, they would be similar enough to compete for customers. As a result, ceulular companies are not guaranteed half the mobile market for eternity, and the fat margins investors are anticipating will be squeezed. At the same time, on both sides of the Atlantic, there is renewed interest in auctioning the air waves, the cellular companies' key resource, to the highest bidder instead of giving them away virtually for free.

While the bulls argue that none of this will harm cellular companies' profitability in the short term, the long-term impact could be severe. And that, after all, is the relevant time horizon since cellular companies are not expected to make large profits in the short run anyway. Stock markets are not discounting these possibilities. When they do, cellular prices will go pop.

Beecham

Tomorrow's special meeting of Beecham shareholders should nod through the merger with SmithKline Beckman, but it is not going to produce an answer to a key question puzzling professional money managers. Will the stock of the new group – SmithKline Beecham – be given a full weighting in the FT-SE 100 index and the S&P 500? As it will be owned 50/50 by shareholders on both sides of the Atlantic, it would make sense to have a full weighting in both indices.

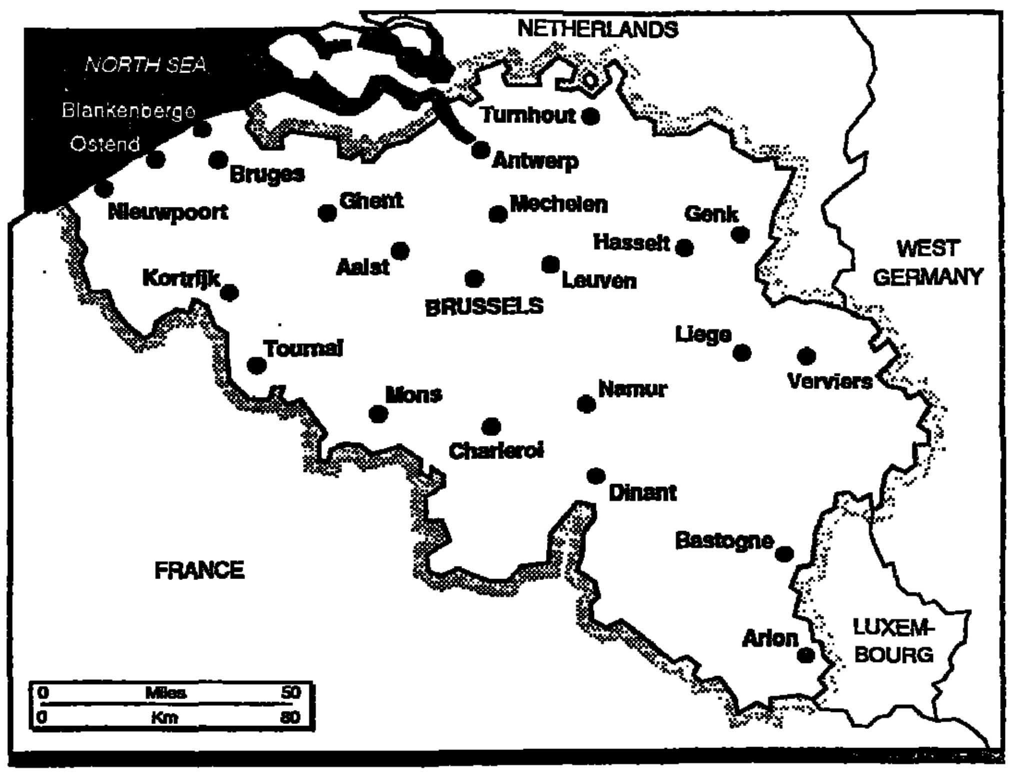
However, as brokers James Capel have spotted, life is not that simple. There are plenty of international companies from BP downwards which would cry foul if the new group were allowed into the S&P 500 before them. S&P does not seem to like foreign companies and despite the transatlantic image, SmithKline Beecham is going to have its work cut out to prove that it should be treated as an exception. If it is not then there must be a worry that the US portion of its share register will dwindle over time. However, the good news is that if the new group is given full weight in the FT-SE, then the index funds will have to double their effective investment in Beecham.

SECTION III

FINANCIAL TIMES SURVEY

An uncommonly calm political atmosphere and good economic tidings disguise important structural changes which are being forced on Belgium as 1992 approaches. Successfully tackling these is likely to test fully the Government's resolve, writes Tim Dickson

Ghent: historical heart of Flanders famous for its buildings, castles, churches and squares



BELGIUM

Fitter and running faster

AFTER entering the 1980s in distinctly poor shape, Belgium suddenly looks fitter and more self confident as it squares up to meet the crucial challenge of the next decade.

Helped by strong international demand for semi-finished products (the core of its export effort), Belgium is currently enjoying a period of sustained economic growth. Companies are investing heavily to prepare themselves for "Nonante Deux" (1992). And much to the surprise of its critics the eighth coalition Government headed by that stalwart Prime Minister Mr Wilfried Martens has just celebrated a first, uncharacteristically crisis free, year in power.

The Government's most notable achievement in the past 12 months has been to push through a complex, highly sensitive but as yet unfinished programme of constitutional reform. The policy has not been without risks and many Belgians (not least in bilingual Brussels) wonder just how far devolution is taking them, and whether the fiercely nationalistic French and Flemish speaking halves of their country are not in danger of falling apart.

On the credit side, however, some political stability has been restored and in contrast to the situation 12 to 18 months ago Belgium's debilitating not to say undignified language squabbles have finally been banished from the front page.

The newly calm political atmosphere and generally good economic tidings nevertheless disguise important structural changes which are being forced on Belgium as the magic date for the completion of Europe's internal market gets closer.

The reform of the Stock Exchange, for example, is just one manifestation of the Government's determination to breathe new life into the country's ill-functioning financial markets. Efforts to reduce Belgium's high rates of personal and corporate taxation, meanwhile, flow increasingly from the realisation that as barriers in the European Community come down new investment and new wealth will move to member countries where incentives are most attractive, and whose regulatory frameworks are looser and less bureaucratic than their EC rivals.

Tightly hemmed in by the need first to stabilise, then cut back its huge public sector debt – 120 per cent of gross national product and still rising – Belgians have as much justification as anyone to be apprehensive about the consequences of the Single Market.

Judging by the results of a survey carried out recently by the Federation des Entreprises de Belgique (FEB), Belgian companies themselves are not only confident about 1992 but are busy working out new forms of co-operation and partnership with their domestic and foreign competitors. The main worry highlighted by the FEB's extensive poll centred surprisingly on reported shortages of suitably qualified staff.

Belgium, though, is not short of valuable assets – not least the raft of dynamic small and medium-sized enterprises, notably in the Flemish part of the country, which have grown and prospered on the back of the multinational refining and motor manufacturing groups attracted to Belgium after the Second World War. As one leading Flemish street lamp manufacturer lamented at a recent conference in Brussels, the relative size of the domestic market place may be a handicap. "I may have 40 per cent of the the home market, but my French and German competitors with the same share will be much bigger enterprises."

Belgium's location remains highly attractive – but while it was almost the sole choice for US multinationals in the 1950s and 1960s, it is now just one of a number of potential locations for the inward international investor. Belgium's declining competitiveness has not yet been fully reversed, and the image of a high wage economy has only been partially offset by its deserved reputation for high productivity.

Despite the panicky defences erected last year to repel Mr Carlo De Benedetti, the Italian businessman whose unsuccessful bid for the holding company Société Générale de Belgique is probably the single most important event of recent times, Belgium should also gain from being the most open economy in the 24 nation OECD bloc.

Exports and imports account for almost 70 per cent of GNP, takeover barriers remain relatively thin, and if Mr De Benedetti's hostile style and ill-considered tactics lost him last year's battle the more subtle targeting by French companies has paid off recently in a series of acquisitions especially in the French speaking Walloon part of the country (Alsthom's takeover of much of ACEC, the engineering business, and tennis racket maker Donnay's rescue at the hands of the French entrepreneur Bernard Tapie to cite just two examples).

The significance of the "Générale" affair is that it has galvanised a company which controls perhaps between 20 and 30 per cent of the Belgian economy into reorganising its vast empire of business assets – a process which many businessman say has had a detectable "knock on" effect on others.

It is Belgium's financial markets, however, which are arguably most in need of modernisation – a challenge to which the energetic Finance Minister Mr Philippe Maystadt has responded by trying to elevate the debate beyond mere short term considerations to the level of the long-term future of Brussels as a financial centre.

So far the end of the Stock Exchange monopoly – a change designed to bolster the strength of Belgium's financial intermediaries, increase liquidity in the market place, and recapture business lost to other centres, notably London – has been his most impressive achievement. Action is also being taken to streamline the mechanisms of and to introduce new instruments on the primary market, where generous commissions have allowed the banks to grow fat on the back of the state's heavy public borrowing needs.

One major structural problem increasingly recognised by the Government is the lack of "disintermediation" – the fact that the bulk of Belgium's colossal debt remains with the banks (the intermediaries) rather than being placed with institutional clients.

Reforming Belgium's complex, penal and often opaque tax structure is seen as one of the most important conditions in this process. In reality tax breaks and tax evasion significantly reduce the effective tax burden on Belgian companies (a recent Government study, for example, showed that companies on average pay just over 30 per cent of their profits in corporation tax, not the nominal 43 per cent rate). But the damage to Belgium comes from international comparisons and the undoubtedly high burden of personal taxation (notwithstanding the cut in the top rate from more than 70 per cent to 55 per cent).

Significant progress has already been achieved but as Mr Peter Praet, the chief economist at Générale de Banque observes: "There are many risks in the strategy, not least because the market has in many cases adjusted to the distortions. I am a bit concerned about the dynamics of the reform."

As with the problem of surmounting Belgium's high nominal penalty on savings – the 25 per cent rate of withholding tax compares with nil for non-residents in neighbouring Luxembourg – the margin for manoeuvre is limited by the need to curb Belgium's high level of public debt.

That is just one of the issues which will test the cohesion of the five centre-left parties (two Socialist, two Christian Democrat, one Flemish nationalist or Volksunie) in the second half of the year. The start next month of what are expected to be difficult negotiations on the 1990 budget could highlight the underlying tensions, while a setback for the Volksunie in the European elections may add to the pressure on the party to leave the coalition.

That would seriously jeopardise the chances of the final stage of the devolution programme, which besides dealing with reform of the Senate (Belgium's upper house) is expected to clear up some of the current confusion over the respective competences of the national and regional Governments (particularly noticeable in the foreign policy and trade promotion fields) and deal with economic policy coherence.

CONTENTS

KEY FACTS

Area: 31,000 sq km
Population: 9.92m
Prime Minister: Wilfried Martens
Birth rate per 1000: 1986 12%
Labour force as % of population: 1985 68%; 1965 63%
Urban population as % of total: 1985 96%; 1965 93%
Real GNP growth: 1988 3.9%; 1987 2.4%; 1978-88 1.7%
GDP per capita: 1987 $14,373;
Inflation: 1988 1.2%; 1987 1.6%; 1978-88 5.0%
Merchandise exports: 1987 $76,100m; 1986 $59,938m
Merchandise imports: 1987 $76,256m; 1986 $59,399
Current account balance: 1987 +$2,920; 1986 +$3,009m
Reserves exc. gold: April 1989 $10,119m
Main destination of exports 1987: France 20.5%
Main source of imports 1987: West Germany 24.2%
Public external debt 1988: $8.31bn
Currency: 100 centimes = BFr 1
Average exchange rate: 1988 $ = BFr 36.768; £ = 65.380
Current exchange rate (June 1989): $ = BFr 42.44; £ = 64.75

Tim Dickson on an economy gaining strength

Trend in the right direction

BELGIUM'S economy is on the move again – but strong growth and record investment disguise unsolved structural weaknesses which could leave the country dangerously exposed to the next major economic downturn.

In 1988 real gross national product increased by 3.9 per cent according to the National Bank, its best performance since 1976. The European orientation of 80 per cent of foreign trade worked in its favour as European economies gained momentum, while the fact that 42 per cent of exports are semi-manufactured goods was advantageous in a context of strong international demand for "intermediate" products.

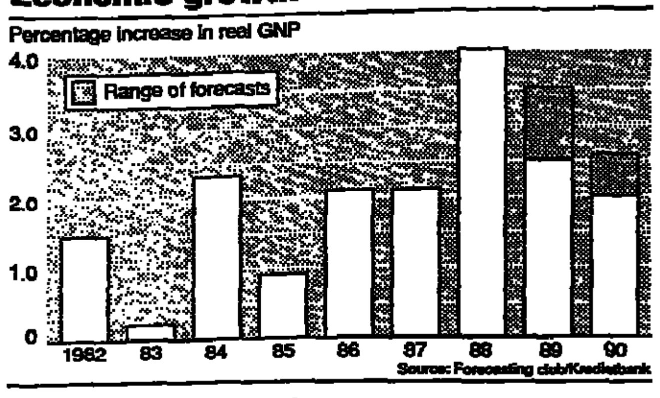
Forecasts for 1989 suggest that this healthy GNP trend will continue, with predictions currently above a 3.1 per cent real increase.

Perhaps the most encouraging sign of the last year has been the jump in private, notably industrial, investment. Total productive investment rose by more than 20 per cent in 1988, according to VAT statistics, compared with an 11 per cent advance in 1987. If predictions of a further 10 per cent this year are close to the mark that will mean a cumulative three year private sector investment boost of more than 40 per cent – markedly and uncharacteristically better than the European average.

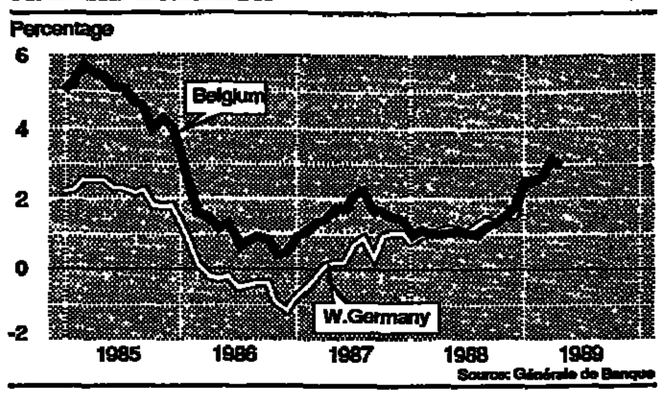
Clearly a catch up phenomenon has been at work, after Belgium's dismal achievement in the early 1980s. But all business surveys suggest that what is happening at the moment is more than cyclical and represents a fundamental restructuring of the country's industrial base in the run-up to 1992.

Mr Philippe Defeyt, an analyst at the Institut de Recherches Economiques (IRES) at the Catholic University of Louvain, offers a third "hypothesis" for the high rate of investment in certain sectors. "We have less strict environmental regulations than in other countries and I think that this could be a factor."

Economic growth



Annual inflation



Unemployment, meanwhile, has tumbled to just 9.7 per cent of the workforce, or 414,000 people, the best result since 1982. The fall has been significant if only because those aged under 50 years who have been unemployed for less than two years are taken into account. *Mr Defeyt points out, though,* that the increased attractions of the Government's part-time working scheme, has lowered the number of those officially out of work. "There are now 200,000 people on this scheme which you could say is the equivalent of another 100,000 full-time unemployed."

For all the good news on growth prospects, investment, the balance of payments (where the current account surplus again exceeded BFr 100bn in 1988) and historically speaking inflation (only 1.2 per cent last year), there are some serious underlying problems the most important of which is the public sector debt.

The nightmare here is the continuing "snowball effect" – the fact that Belgium has to borrow just to pay the interest on its outstanding loans (already more than 120 per cent of GNP). While it was possible to increase the deficit in the 1970s without increasing the debt, high real interest rates mean that the opposite is now happening.

The Government is committed *to trying to block spending* increases in real terms – a policy which according to most calculations should stabilise the public debt if public revenues increase as quickly as the growth of GNP some time between 1992 and 1995.

That, however, is a big "if" according to some commentators who fear that European Community harmonisation of Value Added Tax and a common withholding tax would leave Belgium with lower receipts. In addition, there is the risk of higher interest rates, and the fact that the 1990 *budget negotiations (due to* start next month) will be complicated by the expiry of the interest conversion schemes agreed with the banks.

Deals negotiated both by the current Finance Minister Mr Philippe Maystadt and his predecessor Mr Mark Eyskens enabled part of Belgium's debt repayments to be converted into capital through the creation of new bonds at lower interest rates. The signs are that the Government plans a similar operation for 1990, though recent rumours that the rescheduling deal would be *bargained in return for further* deregulation could be a controversial strategy given Brussels' ambition to become a more international financial centre.

Businessmen and economists were disappointed by the budget measures involving just BFr 14.4bn announced in March. As the London-based investment bank Dillon Read observed in its recent Belgian Stock Market report: "The Government has allowed both expenditure and revenue to rise in parallel, rather than taking the opportunity of the more buoyant tax base to reduce the deficit. This does not bode particularly well, and shows a lack of political will."

The high public sector deficit means that the Government has little choice but to stick to its so far successful monetary policy of tracking the deutsche mark (from which it can converge by 2.25 per cent under *the disciplines of the EMS).*

As Mr Peter Praet, economist at Générale de Banque points out, the economy's revival can be gauged by the way in which the 6 per cent interest rate differential between the DM and the Belgian franc in 1984 has narrowed to just 1.6 per cent today.

Keeping it there (or narrowing it still further) depends on inflationary expectations, which in turn are affected by the Government's incomes policy. Belgium's system of wage indexation was modified in the early 1980s but while it has been an asset in controlling wages in a period of falling *inflation,* the built-in dangers are obvious if retail prices continue to move up. Forecasts for 1989 have been revised upwards to 3-3.5 per cent in recent months, with private commentaries often more pessimistic than economists' market sensitive public utterances.

Mr Praet, who welcomes the new competitiveness law as a safety net if things get out of control but worries whether the Government will react quickly enough if there is a threat, highlights the importance of keeping the lid on incomes. "The West Germans have higher quality goods, more of their own marques. A wage-led 10 per cent price increase for a BMW does not matter as much as a 10 per cent rise in the price of steel."

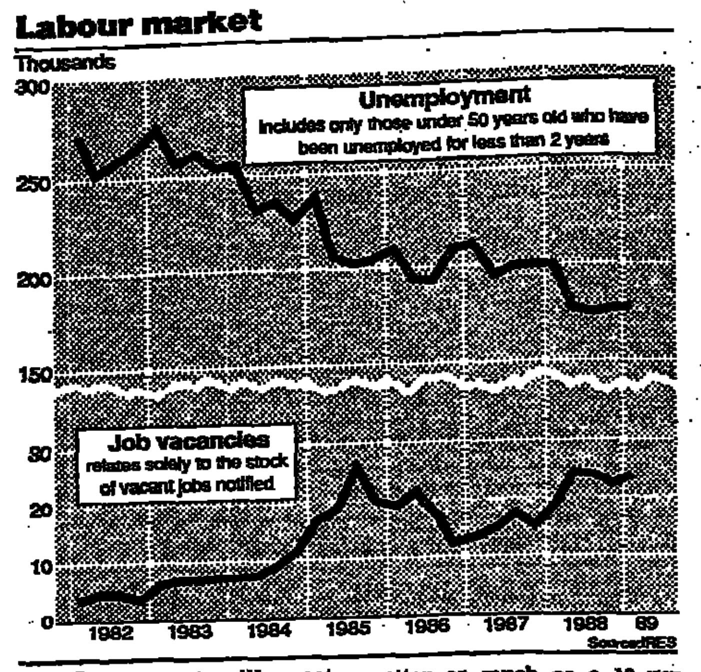
The budget deficit, meanwhile, also limits the scope for further tax reform and the pursuit of efforts to make the still complex tax system more transparent.

Rate of investment growth by sector (%)

	85-86	86-87	87-88	85-88
Industry	*4.9*	*7.7*	*25.0*	*41.3*
of which				
Steel production	10.8	-7.0	13.5	17.3
Chemicals	3.9	14.3	74.5	107.8
Metal processing (inc. cars)	*7.7*	*6.8*	*22.8*	23.1
Food/drinks/tobacco	14.2	15.3	16.6	53.1
Textiles	5.8	27.5	6.5	43.1
Wood/furniture	39.9	43.9	14.8	130.5
Paper/printing	*15.3*	*33.0*	*10.4*	69.7
Energy	19.4	1.0	22.8	-2.1
Construction	18.3	10.9	32.3	73.5

Source: Government statistics

Labour market



REGIONAL POLITICS

Pulling away from centre

THIS IS the year in which *federalism at last became a* reality in Belgium. The country joined the ranks of West Germany, and to a lesser degree Italy and Spain, in devolving important powers and monies to its regions. The *difference, of course, is that* Belgium is significantly smaller than other federal states in Europe.

The practical implications of the regional reforms – finally passed on January 16 1989 – are now something Belgians, and their foreign partners, have to live with. Wallonia, using its new regional powers *over the environment, is refus*ing to take industrial and domestic waste from Flanders and Brussels.

Three ministers – one national, one Flemish and one Francophone – now have to concert Belgium's stance in European Community discussions on education, now chiefly a responsibility of the linguistic "*communities*". The regions are not (yet) totally bypassing Belgian embassies abroad, but foreign investors are having to adjust to being canvassed, not by Belgium, but by Flanders, Wallonia, and for that matter Brussels.

But there are also signs that regional power is breeding a new sense of regional responsibility. Previously, the two main regions – French-speaking Wallonia and Flanders – tended to compete with each other to bid up demands on the national exchequer. The regional executives now know they must live within their means.

The most dramatic evidence of this came earlier this month *over the fate of Belgium's last* big coal mines at Campine in Limburg province. The national government had already decided to keep the loss-making mines open until 1996. But the Flemish executive decided earlier this month, despite protests by miners, to close the mines by 1992. It preferred to spend money it had received from the central government to make an early start in trying to create alternative jobs for the 6,000 miners.

The Walloon regional executive has not yet to bite such a bullet yet in its region. But its first budget showed considerable restraint, out of awareness that as the poorer part of the country it will have to tighten its belt the most. The Martens government seems, in fact, to have deliberately under-funded *the regions, in order* to make them contribute to reducing a very high level of overall public debt that they had a hand in creating.

Power has been devolved, progressively through the 1970, 1980, 1988-89 reforms. The present structure is as follows:

■ Communities. There are three of these based on language: French, encompassing those who live in Wallonia and Francophones in Brussels; Flemish, with jurisdiction over those living in Flanders and Flemish speakers in and around Brussels; and German, *with jurisdiction over the tiny* German-speaking population of eastern Belgium.

Their competences are education (except setting school ages and teachers pensions which remain national responsibilities), *cultural affairs* and foreign accords, and health and social aid. To carry this out, they will get a total share of national tax revenue amounting to BFr 375bn this year, divided according to population, and overwhelmingly devoted to education.

■ Regions. The three are Wallonia, Flanders, and Brussels (*formally bilingual,* though 80 per cent French-speaking in practice). In the economic field, the central government remains responsible for macro-economic, monetary and financial policy, labour law, social *security, price law, technical* standards, professional qualifications, import licensing and quotas, the setting of rules for public procurement, maximum aid levels, consumer protection, but not much else. Powers not attributed to the centre reside with the regions.

The latters' powers extend to public works and transport, housing, water distribution, most aspects of energy and environmental policy, applied research, and to some aspects of export policy. Initially, like the communities, the regions will have to rely on sharing tax income with the central government. Their share this year will total around BFr 281bn. *Thus, together the regions and* the communities will dispose of some 40 per cent of total public spending. But from 1994 on, the regions will be able to levy taxes additional to national taxes.

A third stage in regional reform is envisaged by the government, but no date has been put on it. *Certainly,* there is a strong case for clarification of some of the existing divisions of power, for instance, in the areas of foreign trade and scientific policy.

David Buchan

FOREIGN AFFAIRS

New broom in period of abrupt change

A FAMILIAR face disappears this week from the European diplomatic circuit with the resignation of Belgium's Foreign Minister, Mr Leo Tindemans, *on his election to the European* Parliament.

Mr Tindemans, who combined the Atlanticist sentiments of an earlier generation of European political leaders, such as Mr Helmut Schmidt and Mr James Callaghan, with a keen desire to speed European integration, has been around a long time.

After Mr Hans-Dietrich Genscher, he is Europe's longest-serving foreign minister, having held his post since 1981. Before that he had been Prime Minister three times and, as such, had played an especially active role in the European Community, producing the Tindemans report on European Union in 1976, at the request of his fellow heads of government.

Although this report was *shelved, it largely foreshad*owed the Single European Act, adopted 10 years later.

Mr Tindemans's replacement is Mr Mark Eyskens who, although also an ex-Prime Minister, is much less-known outside his own country. His father, Mr Gaston Eyskens, who died early last year, was Belgium's outstanding post-war Catholic politician, serving five times as Prime Minister, including during the referendum which led to Leopold III's abdication in 1950, and again in 1960 when the Belgian Congo became independent.

Belgium's Nato partners may find her a less predictable ally

The younger Mr Eyskens, now aged 56, has largely lived under the shadow of his father's reputation; now he has the chance to play a distinctive role on the international stage. He will certainly add tone to the foreign ministers' club, being probably better educated and having wider intellectual interests than any of his EC colleagues.

Like his father, he was formerly Professor of Economics at the Catholic University of Louvain, having earlier done postgraduate work at Columbia University in New York. He has written a dozen books, including several novels as well as economic and philosophical works.

He is perfectly bilingual in Dutch and French, and probably speaks better English than any other Belgian politician, which is high praise indeed.

"This," *he says,* "is the result of daily practice," and he is an inveterate listener and viewer of BBC programmes. He also has a good knowledge of German and Spanish.

Until a year ago, when he *was unexpectedly left out of* Mr Wilfried Marten's new left-centre government, he had been a minister continuously for 12 years, serving in 11 different governments.

This included two long stints *as Finance Minister,* and he played a key role in devising the policies which succeeded in restoring the competitiveness of the Belgian economy from the low point reached in the early 1980s.

His own eight-month period as Prime Minister, in 1981, squeezed between Mr Marten's fourth and fifth governments, was, he says "short, intense and unfortunate."

Like many other Belgian

Continued on Page 3

David Buchan on changes that signal the end of the old order in the financial sector

Reforms to tackle deep deficiencies

THE OLD order in finance is disappearing fast, with banks and stockbrokers in Brussels realising their need to face increased competition with other financial centres and the Government pushing hard to finance its enormous debt more efficiently, and more cheaply.

Some of the changes – new share ownership disclosure rules and an impending take-over code – have an almost accidental origin in last year's battle for Société Générale de Belgique. But for that epic, such legislation might have been longer coming. Other reforms have, however, responded to deep-seated deficiencies in the financial system.

The Government's strategy is complicated by the fact that it is pursuing three goals that are almost mutually exclusive – strengthening Brussels as a financial centre, reducing the cost of managing a public debt on which banks have made a fat living, and structuring a tax system that neither cripples financial institutions nor increases the already large budget deficit.

Recent progress in reducing budget deficits has had little impact, because of the snowball effect of interest charges, on the overall debt. At the end of last year it stood at BFr 6,362bn, or 115 per cent of gross national product.

The Government complains that too much of this debt is medium and short term, too much of it is held by banks rather than non-bank institutions such as pension funds and insurance companies (which are much more important in other countries as holders of government debt), too little of it is held by individual Belgians (who prefer to put their money into Luxembourg-based unit trusts for tax reasons), and too little of it is held by foreigners (only about 7 per cent).

The cause or consequence of this, the Government complains, is a narrow and inefficient secondary market for trading in its debt. One reflection of this is that turnover on the secondary market runs at only about 50 per cent of the primary market, where in countries like France the same ratio is 150 per cent.

As a result, the finance ministry has taken several steps. One is to enlarge the stake of foreign banks (from 5.6 to 9.6 per cent) in the consortium of banks that underwrite and place Belgian public debt. Another step has been to reduce the fees that the banks get simply for holding government debt in their own portfolios, while increasing their commission for placing government paper outside the consortium with non-financial institutions and private investors.

"This has brought the rewards (to banks) more in line with the economic service they actually provide," says one official. A third step has been to start selling long-term bonds with standardised coupon and maturity, known as *obligations linéaires*, by "Dutch auction" every month. "This has sent out a powerful signal," says the same official, "that we want to create a more competitive system of borrowing."

Some of the changes have an almost accidental origin in last year's battle for Société Générale de Belgique

A separate set of reforms is aimed at rationalising and strengthening the stock exchange so that Belgian brokerage houses – some of them tiny and totalling 200 in all – can meet the increased competition likely to result from the proposed EC liberalisation of investment services.

Under a December 1988 law, financial institutions such as banks and insurance companies will be able, from January 1990, to take stakes of up to 25 per cent in brokerage houses, which will from January 1991 be able to transform themselves into limited liability companies. "The nominal reason for this is to put more capital behind the brokers," says Mr Jean Peterbroeck, president of the Brussels Bourse, "but the real reason is to bring back to the Bourse business that has been conducted elsewhere."

Transactions on shares will be fully centralised with the new limited liability Societes de Bourse. In addition, all share transactions below a certain level (initially BFr 20m on the spot market or BFr 30m on the term market) will have to be executed on the stock exchange itself. The same goes for all bond transactions below BFr 25m. Block trading outside the stock exchange will be allowed for share and bonds deals above these limits.

The electronic age dawned in January when the Brussels exchange introduced the Cats (Computer Assisted Trading System), which by the start of this month was handling 31 per cent of all turnover and trading 37 of the most active stocks. Once Belgian electricity stocks are fed into the system, Cats will handle 50 per cent of all stock exchange activity, Mr Peterbroeck predicts. All this will provide "more transparence and liquidity" to the market, he forecasts, and stimulate more activity. Last year turnover in domestic stocks totalled BFr 307bn (boosted, of course, by trading in SGB) and BFr 88bn in foreign stocks.

Admission to the Bourse will be controlled by the Commission Bancaire, which has a new president in Mr Jean-Louis Duplat. He declares himself satisfied with general prospects for the Bourse, buoyed by excellent 1988 results for most of the major Belgian companies and the sustained high savings ratio of Belgians (third in the industrialised world behind the Japanese and Swiss). Imminent establishment of Belgian investment funds should give savers "another attractive product" to invest in, he says.

However, as both he and the finance ministry admit, the main impediment to real growth is fiscal, in particular the 25 per cent withholding tax. For this reason, Mr Duplat laments the probable demise of the European Commission's proposal to introduce a common minimum withholding tax within the Community, which would have put Belgium on the same fiscal footing as Luxembourg, the traditional bolthole of so many Belgian investors.

The Commission's bank regulatory role is soon to extend to Belgium's six state-owned savings banks, which are to be forced to compete on the same terms with commercial banks with only a limited state guarantee. The aim is also to prepare the savings banks for the post-1992 environment. A first step towards this internationalisation was the June 16 signing of a co-operation agreement between 36 Dutch and Belgian savings banks.

A new role for the Commission Bancaire will be as depository of the shareholder information under the new transparency law, which came into effect this month. Henceforth, any investor who buys or sells shares in Belgium's 165 major publicly quoted companies must declare, to the company concerned and to the Commission, the number of shares he owns and whenever voting rights attached to the shares reaches or exceeds 5 per cent of total voting rights. The same declaration must be made whenever new purchases bring the investor beyond the threshold of 10,15,20 or any other multiple of 5 per cent of voting rights.

This law conforms to a recent European Commission proposal. But the murky world of Belgian investment is not going to be brought totally and immediately into the sunlight. Up to 1991 the Commission Bancaire will have the option to grant some anonymity to family investors; individual families must declare their overall holding, but not precisely what each member holds.

Other legislation on the drawing board includes a takeover code, which will conform with another recent EC proposal, with one exception. There will be no requirement, as in the EC plan or in UK takeover rules, for an investor to make a bid for all shares once his stake exceeds 30 per cent.

The Government has also announced its intention to draft legislation to allow it to block a takeover of Belgian companies by foreigners where it believes Belgian interests would be endangered. However, Mr Duplat is sceptical that this will ever come to anything given the difficulty of drafting anything that does not run foul of EC requirements for non-discrimination.

New broom in a period of change

Continued from Page 2

governments, it crashed because of quarrels between the two language communities, this time over the financing of the then bankrupt Walloon steel industry.

Mr Eyskens appeared more relieved than anything else, and the suspicion exists that he is much happier doing a competent job as a departmental minister than trying to jolly along a gaggle of recalcitrant colleagues, a task at which, on the contrary, Mr Martens excels.

Like both Mr Tindemans and Mr Martens, he is a member of the Flemish Christian Democratic Party, long the dominant force in Belgian politics.

This party straddles a wide range of the centre ground, but, along with Mr Tindemans, Mr Eyskens is firmly identified with its right wing. This could cause him problems within the cabinet, as its centre of gravity has moved markedly to the left.

The main reason for this was the substitution last year of the two Socialist parties for the two (right-wing) Liberal parties who were the Christian Democrats' coalition partners from 1981-88. This made little difference in domestic policy, as the Socialists acquiesced with good grace in the continuation of the successful economic policies of the previous right-centre government.

In foreign and defence policy, however, there has been an abrupt change.

The key influence has been that of Interior Minister Mr Louis Tobback, a Flemish Socialist. Tobback had been a leading figure in the Belgian anti-nuclear movement, which had unsuccessfully fought the establishment of Cruise missiles in Belgium in 1985.

When the first differences between West Germany and Britain and America over SNF modernisation emerged earlier this year, Mr Tobback insisted that Belgium should support the German position. Mr Tindemans resisted this, but when the French-speaking Socialist ministers backed Mr Tobback's line, his fellow Christian Democrats refused to support Mr Tindemans, who by this time was something of a lame duck as his resignation had long been foreshadowed. The result was that, within Nato, Belgium was one of the first members to support Chancellor Kohl's position.

What Mr Eyskens thought of this can only be surmised, as he scrupulously refrained from declaring himself on any foreign policy issue before his appointment, which had already been announced a year ago. It would not be surprising, however, if he were to clash with Mr Tobback on similar issues in the future.

In such a case, it is far from clear whose will would prevail. Belgium's partners in Nato may well find her a less predictable ally than in the past. No such problem will arise within the European Community, where the Belgian cabinet is unanimous in its support for faster and closer integration. Mr Eyskens will have no difficulty in representing this view in the EC Council of Ministers.

That apart, his most testing early assignment is likely to be the forthcoming negotiations with Zaire over repayment of its debts to Belgium, and a series of other disputes which led President Mobutu Sese Seko to sever normal relations last December.

To these tasks, he brings a formidable intellect – what is not yet clear is whether it is allied to a high order of diplomatic skills.

Dick Leonard

William Dawkins discusses the bureaucratic invasion of Brussels

Eurowatchers' ringside seat

BRUSSELS is still a long way from becoming the Washington DC of Europe, but it is certainly moving in that direction. As host to the most important European Community institutions, the Belgian capital has seen a growing tide of immigration from hordes of bureaucrats, lobbyists, trade associations and politicians over the past 18 months.

The result of all this has been to force yields on commercial property from 7-8 per cent in 1987 down to 6 per cent, or even as low as 4 per cent in some cases now, according to chartered surveyors Jones Lang Wootton (JLW). With Belgian mortgage rates at around 8.25 per cent, the yield gap is minimal compared to more fashionable investment spots such as London or Paris.

Another key indicator of the property market, the proportion of empty commercial buildings, has fallen below 3 per cent, the lowest in recent memory. Similar effects have been seen in the residential market.

The invasion is a mixed blessing for Belgian residents. "We have always welcomed European institutions, but at the same time our planning aims to respect the spirit of the city," says Mr Jean-Louis Thys, secretary of state for the Brussels region.

His plans for the city's expansion aim to avoid the chaotic overdevelopment that was the hallmark of the last surge of building activity in the early 1970s. The creation this month of a regional authority for the city's 19 communes – formerly under central government control – could also help bring a more coherent approach to city planning, say optimists.

Spain and Portugal's EC membership in 1986 started the latest trickle of expatriate arrivals, turned into a flood by the growing importance of the Community's plans for a free single market. An office in Brussels is seen as an important ringside seat at the European Commission, the Council of Ministers, a large part of the European Parliament and the Economic and Social Committee, the bodies conducting project 1992.

Some property advisers believe up to 10,000 lobbyists alone could be working in Brussels by the end of the century: at least an indication of the expectations driving today's property market. Industrial companies have also been busy beefing up their presence in the city, such as Fiat of Italy and General Electric of the US, which have selected the city – with its excellent motorway, rail and air links – as the co-ordination centre for the European activities.

It looks as if the next wave of immigration will be pushed by the Strasbourg-based European Parliament's plans to hold some of its monthly plenary sessions in Brussels, where the 518 MEPs already hold their committee meetings. As the city gears up to receive its next European institution, politicians like Mr Thys make tactful signs that they do not wish to be seen stealing the Parliament from its jealous protector, Strasbourg.

The invasion is a mixed blessing for Belgian residents

Most MEPs, however, make no secret of the fact they hope their future lies in an enormous hole in the ground behind the Parliament's committee building in Rue Belliard. That is where a private consortium led by Société Générale de Belgique, the country's most powerful holding company, and the savings bank COB is building a BFr 18bn conference centre to open by the end of 1991.

"The Parliament's affairs are its own, but we are ready to welcome it. Even without the Parliament, the centre will be needed for other international meetings. Brussels is the third international congress location in the world and we want to keep that position," says Mr Thys.

The EC's activities are not the only reason, for the revival of the Brussels property market. Other factors at work include an extraordinary and unexpected surge of foreign investment in commercial buildings, first from Swedish institutions and now just starting from Japanese and French investors.

Certainly, 1992 has pushed Brussels into the limelight, but institutional investors have only bought there because it is genuinely cheap compared to London and Paris.

"The Paris market has gone up so much that people are asking themselves if they can see more growth. Capital values there are six times Brussels' levels. So a French investor can pay roughly the same number of francs in Belgian money to get an equivalent property," says Mr Timothy Fenwick, director of chartered surveyors JLW.

This is not the first time Brussels has seen an invasion of foreign property investment. British and Dutch developers were responsible for the city's previous construction boom in the early 1970s. They they were so enthusiastic about the city's potential that they created an oversupply. This was the prime reason for the 1975 property slump, from which the city is only now recovering.

This time, Sweden is leading the charge, as investor rather than developer. Most city development these days is carried out by Belgian groups, like the ones building the new conference centre behind the Parliament.

Mr Fenwick believes Swedish institutions have spent the equivalent of more than £1bn on Brussels property over the past 18 months, representing two-thirds of all property investment in the city during that period.

Notable purchases include the BFr 2bn acquisition by a Swedish property group last September of the Blue Tower, the office block which dominates one end of the prestigious Avenue Louise. The buyer was Granaten, controlled by Mr Hans Thulin. Another was the sale of Britannia House, home of the British Embassy, to Larmag Investments, owned by Swedish magnate Mr Lars-Eric Magnusson. JLW was involved in both deals. "The Swedes move very fast. They are entrepreneurial people who can see a property in the morning and make an offer within 24 hours," says Mr Fenwick.

Brussels is only one of several European destinations for Swedish investment, unlocked by the recent easing of Swedish exchange controls. Yet even so, their arrival has taken the Brussels market by surprise.

Domestic Belgian investors, meanwhile, have been moving into commercial property for revealingly different reasons. Many former investors in Société Générale de Belgique have been looking for a new home for their cash after selling out to Mr Carlo de Benedetti, the Italian businessman.

Private investors such as this, and including the apocryphal Belgian dentist, have an easy opportunity to buy commercial property in the form of unitised buildings.

Certificats d'immobilier are something of a local speciality. Invented in the 1960s by local institutions, to finance some of the out-of-town supermarkets dotted around Brussels's suburbs, there are now 50 of these funds, around 10 of which are quoted regularly on the city's stock exchange. "There have been a series of very successful new certificates over the past two or three years, most putting in a 50 per cent gain over that time. They are in direct competition with other forms of saving," says Mr Fenwick.

William Dawkins

Tim Dickson on the new head of the Banking Commission

An 'economic magistrate' at the helm

JUDGE Jean-Louis Duplat won a rare reputation for judicial integrity as President of Belgium's Tribunal de Commerce, or commercial court, a post which he held until the beginning of this year.

His appointment to head the country's Banking Commission has thus been noted with considerable interest, not least because of the somewhat ineffective role played by Belgium's financial watchdog agency during the hectic bid dramas of last year.

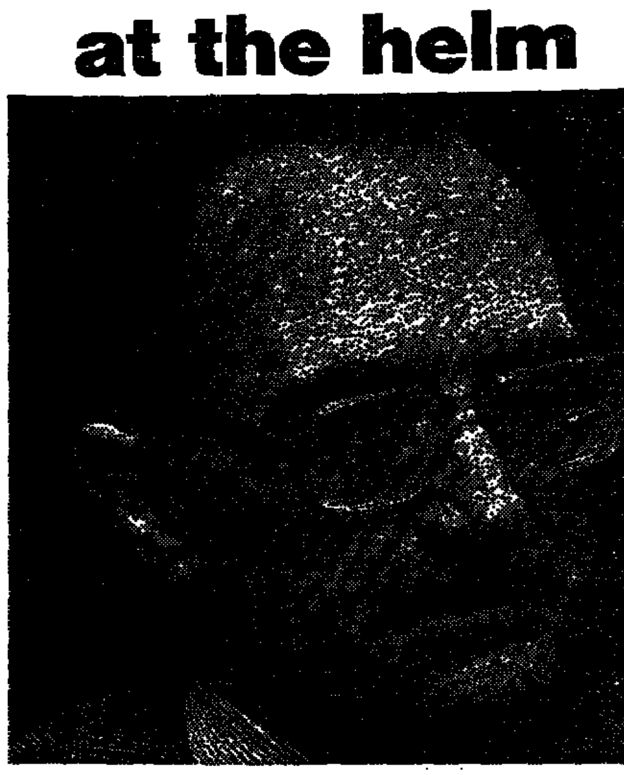
The contribution of Mr Duplat and his team could also be vital if the Belgian Government is to achieve its aim of turning Brussels into a more competitive and profitable European financial centre.

"We strongly wish to participate in this development," he said in an interview at the Commission's offices in the city's famous Avenue Louise. We will have to show a combination of diligence and speed in dealing with all the demands that are placed upon us."

The task facing Mr Duplat is considerable. Neither of these qualities was particularly evident last year during the epic takeover battle for Société Générale de Belgique when the Commission abruptly changed sides on takeover tactics in what was seen by many as a blatant Government inspired move to help fend off Mr Carlo De Benedetti.

The Banking Commission – which Mr Duplat emphasises is not a Government department and is independent of the politicians – has key responsibilities for supervising the country's banks, protecting the country's savers, and vetting all public takeover offers where more than 50 people are involved.

An important new "mission", as Mr Duplat puts it, has just been added in the form of the new "transparency law" passed by the Parliament on March 2 and which came into effect at the beginning of this



Jean-Louis Duplat: a rare reputation for judicial integrity

month. Designed to avoid large stakes in Belgian companies being secretly acquired, it specifies that any shareholding of more than 5 per cent must be publicly declared within 48 hours of that ceiling being reached.

"It will be our job at the Commission to make sure that the declarations are correct," says Mr Duplat. "It is no good company X saying it owns 10 per cent of company Y – we will want to know more about company X."

Mr Duplat says that up to 1991 when Belgium will have to comply with European practice there will be certain exceptions for shareholders who might suffer genuine difficulties if their names were disclosed (e.g. Chinese at the moment) and individuals whose publicly identified participations might lead to genuine problems within Belgium's family controlled companies. He insists, however, that the Commission will not be a push-over and that applications for anonymity will be treated "on their merits".

Mr Duplat describes the Banking Commission as a sort of "economic magistrate." Decisions are taken every Tuesday by a panel of seven of which he is the full-time chairman and the others are part-time. A staff of around 50 "prepare the dossiers".

Mr Duplat says he fully supports the *"droit de preference"* – the right of preference – for existing shareholders, emphasising that departures from this principle have to be justified. He says that jurisprudence and "legal security" should govern the Commission's actions and while "we will consult widely we will take the final decisions".

Besides the transparency law, new legislation by the Government will soon be introduced to cover takeovers and introduce various reforms of the Belgian company law, notably new rules for cross shareholdings, non-voting shares. On takeovers, he says that the law will not follow UK practice by obliging shareholders with more than a 30 per cent stake to launch a full bid.

"The financial tradition of our country is different," he says. "On the other hand, it will not be possible to make a partial offer for under 50 per cent. The bidder will have to go for at least 50 per cent."

Plans to introduce legislation which would give the Government a veto over "foreign" takeovers of a Belgian firm, he admits, could run into problems with the European Community.

Profile of the country's biggest holding company

New team at the top of La Générale

VISCOUNT Etienne Davignon and Mr Herve de Carmoy, respectively chairman and chief executive of Société Générale de Belgique, personify the new broom which has swept through the country's biggest holding company since it was "rescued" 12 months ago from the clutches of Mr Carlo de Benedetti by the French investment bank Compagnie Financiere de Suez.

When investors dip into their pockets next week to buy the 11 per cent stake being offered to the public by Suez and its Belgian allies, however, they will effectively be banking on the success of a less widely known management team.

No fewer than nine top men at the group's 12 major operating companies are new to their jobs since last September after a shake-up which has brought in a handful of fresh outside faces as well as ensuring the promotion of several internal figures to more responsible posts.

"One of the big notions of the new management has been to gain control of the businesses we own, by which we generally mean at least a 51 per cent stake," an SGB spokesman explained recently. "What we then need is the right people to turn them into European leaders in their sectors."

One of the most notable appointments is that of Mr Philippe Bodson, the chairman elect of the industrial group Tractebel where SGB this year increased its grip in an effective share swap deal with the other big Belgian holding company Groupe Bruxelles Lambert. Mr Bodson, who was one of younger men to join the main SGB board last year, made his name by turning round the leading Benelux glass-maker Glaverbel.

Nine top executives are new to their jobs after the shake-up

Another interesting figure is Mr Rik Herbots, 42, the new vice-chairman of the Antwerp shipping company CMB and the man who is also to have overall responsibility for the troubled Generale Trading Company (GTC). His privately-owned Hessenatie Transport Group where he remains managing director at least for the next few months used to be part of CMB.

The man now in charge of Gechem, the chemical group which hopes to get back to profitability after its BFr 8.3bn recapitalisation at the end of last year is Mr Jean Duronsoy. He is one of those to have come up from within, having taken much of the credit for the success of polyurethane foam products leader Recticel, the group's star company.

Similarly the 59-year-old Frenchman Mr Albert Diehl, chief executive of the Liege-based armaments group Fabrique Nationale since the start of 1989, is also an insider having joined the group in 1984.

Mr Noel Masson, the chairman of the zinc processor Vieille Montagne and the non-ferrous metals subsidiary MHO since the start of the year, is a lifelong employee of VM having joined the company in 1962. His new chief executive at Vieille Montagne is Mr Ferdinand Crabeels.

'We need people to turn companies into European leaders'

The other top appointments since last September are Mr Guy de Cordes, the director real estate group Compagnie Immobiliere de Belgique (who was previously part of SGB's central holding company team), Baron Paul-Emmanuel Janssen, the chairman of Generale de Banque whose main task is to forge a successful alliance with its new "partner" Amro of the Netherlands, and Mr Michel de Hemptinne, the new No 3 at the insurance concern Groupe AG.

Tim Dickson

PROFILE: Barcos

A painful turnaround

IN THE early 1980s struggling Barco mirrored the wider sickness of the then ailing Belgian economy. Less than 10 years later, however, this Flemish electronics concern stands fully restored as a potent symbol of the country's growing prosperity and increasingly self-confident business sector.

Split up into two separate companies in the intervening years, the recently reunited group nurtures strong global as well as European ambitions, boasts a range of technically advanced "niche" products from TV monitors to process control systems, and possesses a shrewd management strategy aimed at combining the flexibility and dynamism of small units with the clear benefits of large-scale marketing and research.

"All the news coming out of Barco has been positive in recent months," one leading analyst said earlier this year in a highly bullish report of the group's 1988 results and prospects for the merger.

It was not always thus. Originally family-controlled Belgian American Radio Corporation (hence Barco), the company's successful diversification into televisions in the early 1960s ran adrift in the second half of the 1970s as stiff Japanese competition and the recession in Europe took their toll.

Almost bankrupt, Barco's technology at one point looked destined to be sold to overseas buyers but in the end it was ACEC, the once proud but now virtually dismembered Belgian engineering business, which took control of the industrial side of the group (which was re-named Barco Industries). The TV dependent consumer interests – stripped of many of the more promising ideas – was hived off and re-named Barco Electronic.

The recovery in both parts began almost immediately. Mr Hugo Van Damme reoriented BI towards high-end applications in industrial electronics and BE under Mr Erik Dejonghe shifted its product mix away from the troubled consumer markets and into the industrial arena (the TV side is down from 60 per cent of BE sales in 1982-83 to less than 5 per cent today).

What now seems like the inevitable re-marriage, however, had to wait until this year when the GIMV, the private investment company owned by the Flemish regional authorities and already the 62 per cent majority shareholder of BE, successfully negotiated to buy ACEC's 57 per cent stake in BI (thus taking its total stake to 87 per cent).

After last month's merger the GIMV holds 73.9 per cent of the shares, with the rest in public hands, though the plan is to find stable new industrial partners (Belgian or foreign) willing to buy up to 20 per cent of this stake. The relaxed attitude of Barco's top managers towards their main shareholder is not only indicative of the newly commercial and much less meddling style of regional investment companies in Belgium but of their desire for stable ownership (preferably Belgian).

Combined 1988 sales of the independently-run Barcos were BFr 6bn, and net consolidated profits amounted to BFr 567m. Shareholders' funds in the newly enlarged group amount to BFr 2.5bn while there is BFr 2bn cash in the balance sheet to help fund further acquisitions.

According to Mr Dejonghe and Mr Vandamme – still the

The Flemish electronics concern stands fully restored as a potent symbol of the country's growing prosperity

principal executives but now running the enlarged group in tandem – the end of the eight-year separation marks not so much a new beginning as the continuation of a strategy already well developed in the previously separate halves of the business.

Growth, they say, will come as much if not more from internal expansion as from acquisitions, while Barco will stick to companies whose complementary products and customers it already understands. "We should not only know about the technology we are buying but about the market place into which it is being sold," stresses Mr Vandamme. "When we don't know both we don't want to be involved."

The recent purchase of the small British company Dextralog, he says, illustrates the point. Based in Blackburn with 80 employees and 1988 sales of £2m, Dextralog is expected to enhance Barco's presence in the factory automation and industry computer systems business where the two companies are already active but at different ends of the market.

"This acquisition gives us access to the UK, while at the same time we can help Dextralog sell their products in Europe and elsewhere in the world," says Mr Vandamme.

The acquisition last year of the West German KMT – an audio business specialising in the broadcasting industry – involved a company whose customers Barco already knew through its own video and communications activities.

With the April takeover of Disc – a specialist in electronic pre-press systems for the production of colour forms, labels and packaging in the graphics industry, as well as laser plotter systems for the electronics industry – Barco claims to have added not only a new strategic sector but a business with synergies for its new parent. These include the better resolution and picture sharpness which Disc should be able to bring to Barco's imaging products and the new software skills that could enhance the group's graphic monitors and projectors.

Ghent-based Disc, meanwhile, should benefit from Barco's wider geographical presence in markets such as Germany and the US.

Barco's "main goal", however, is to grow internally now that all its activities are functioning well (its only recent failure was a range of terminals for a videotext system, sold to the London Stock Exchange, which never really took off).

The hope is to develop at least three new product lines a year from existing activities (Barco has managed two in each of the past two years), an ambition that should more easily be realised with the help of Barco's central laboratory, a 20-strong team devoted to research and development of products likely to have a market impact in five to seven years (compared with the two to three-year horizon typical in most of the operating companies).

Tim Dickson

PROFILE: Piet Van Waeyenberge

Fighting for Flanders

Piet Van Waeyenberge

PIET VAN Waeyenberge is typical of a new breed of assertive Flemish entrepreneur which is making an increasing impact on Belgium's commercial and financial life.

According to 50-year-old Mr Van Waeyenberge, who was recently elected chairman of the Vlaams Ekonomisch Verbond, the Flemish employers' association, Flanders is for historical reasons under-represented in the Belgian financial establishment – and he for one intends to put this right.

The problem, as he sees it, goes back to Belgium's era of expansion in the 19th century when Flanders was a poor, predominantly rural region overshadowed by the southern Walloon part of the country.

"Thanks to our geographical situation and the efforts of the regional Government, however, we attracted a lot of international companies after the Second World War – the petrochemical groups with their refineries at Antwerp, for example, and the big motor car assembly plants like Ford, General Motors and Volvo. The influx of the multinationals laid the foundations of our economic success and gave great opportunities to small and medium businesses to expand."

He adds: "These have now grown on their own and will provide a good base for the Europe of 1992."

Mr Van Waeyenberge is currently working with a group of Flemish investors through a holding company called Asphales (derived from the Greek word for solidity and seriousness), which last year made its first major move by negotiating a 2.5 per cent stake and a board seat for its chairman in the leading Belgian insurance group AG (a holding which will soon be raised to 5 per cent with the approval of the AG board).

"Asphales is a group of entrepreneurs and family groups which are collectively allocating part of their savings to acquire strategic stakes in big companies. We want to be active partners with a representation on the board, not passive investors. We have our feet firmly on the ground and we consider ourselves to be steady and serious. But we need time – we do not expect to achieve results overnight."

Mr Van Waeyenberge, whose own family-owned operating company Ecoval is a successful trader in milk powder, butter and cheese, confirmed his arrival on the national stage last year as one of the group of Flemings to break a 150 year tradition by being invited to join the main board of Société Générale de Belgique.

The VEV chairman believes that Belgium's current high tax rates must be reduced "because if citizens have all their money taken away it is hard to re-invest". He looks enviously at the popular capitalism which helps underpin the British and US economies and laments the "lack of liquidity here".

He is nevertheless encouraged by the turmoil at "La Générale" in the wake of last year's unsuccessful takeover and says "it has changed Belgium and to some extent Europe".

"It has shaken people up, there is a fresh new wave of financial activity and restructuring which is just in time for Europe 1992. The Générale bid has accelerated the process. Importantly, it has also demonstrated that companies must manage their shareholders as well as their customers."

Tim Dickson

PROFILE: Medgenix

Model European player

IN MANY ways, Medgenix is the very model of a modern European business.

Based in Brussels, it employs a wide variety of different nationals, communicates easily in several languages, and plans to establish a comprehensive European sales and marketing network over the next two to three years.

Above all, however, this fast-growing healthcare group has consciously rejected its original strategy of looking to the United States for technical and commercial inspiration.

In a change of key which will be music to the ears of those planning the final stages of the EC's internal market programme, the company is now busy forging its own destiny with the help of predominantly European partners and the fruits of "home grown" European research.

Few people in Belgium, however, will have heard of Medgenix, partly because it has hitherto kept a low profile and partly because until just a few weeks ago it was known in the market place as CDAB.

The recent name change was the end-result of a major restructuring last year which not only left South African-controlled Anglo American as the company's leading industrial shareholder, but was carefully designed to prepare the group for the key transition from research-based entrepreneurialism to a more outward-looking, profit-oriented sales-based approach.

The story of Medgenix is virtually inseparable from the character of its chief executive Mr Bernard Sordet, a quietly determined 46-year-old Frenchman who came to Belgium when he was appointed by the Walloon regional government in January 1984 to run its new biotechnology fund.

As Mr Sordet recalls, the fashion in Wallonia at the time was to try to attract young high-tech American companies, a policy which produced mixed results, but which paid off handsomely, for example, through the creation of Hybritech (part-funded by the Walloon regional investment company, the SRIW, and subsequently sold for a fancy price to the US multinational, Eli Lilly).

"When I arrived I said that I could possibly work with American companies, but that I wanted decisions to be under our control," explains Mr Sordet, a trained chemist and economist whose previous industrial experience included helping to build up the French Synthelabo Group, (part of L'Oreal) in the 1970s.

Thus, Celltarg (drug targeting), Ire-Medgenix (diagnostics), and Phytotech (in the field of bio-molecular and biocellular plant development) were set up in the first two to three years under the CDAB umbrella, in collaborative joint ventures with American companies, plus a limited amount of private sector Belgian industrial capital.

The experience was clearly not an entirely happy one. According to Mr Sordet, the European research teams were more productive than their transatlantic counterparts, the Americans were trapped as he sees it in a "venture capital way of thinking with lots of hype, stock options and a

The group has rejected its original strategy of looking to the US for inspiration

determination to go public at any price," while "real industrial companies" such as Britain's ICI and Lafarge of France started to emerge as alternative research partners for the various CDAB operating companies.

"We didn't want to give the Americans our technology or become their subsidiaries," explains Mr Sordet, "so, in 1987 and 1988, we progressively cut our ties with them."

At the same time, the requirement for additional capital to expand the sales and marketing activity of what was largely a research oriented group had become increasingly apparent.

New shareholders initially came on board in 1987 when Générale de Banque bought a 25 per cent stake from SRIW and sold it on to a variety of industrial and institutional investors. But the key turning point came last year when one of these, Anglo American, agreed to provide substantial new investment in return for a 32 per cent stake of the enlarged group.

"This completely changed the picture," says Mr Sordet. The old structure of joint research ventures finally disappeared in the re-organisation – "we became a real company with a solid core of shareholders exploiting our own portfolio of products."

What, then, is the new strategy of this healthcare group, which closed its 1988 accounts with sales of $45m (and a roughly break-even position) and expects to reach $100m in 1989 with $6m of profits?

The Medgenix ambition today is to build a major European network of companies based on its international management skills, its strong research capability, and its range of healthcare products which takes in everything from ethical drugs for prescription to health foods for over the counter purchase.

"We have not just limited our scope to that of treatment, we have gone further into the areas of prevention and nutrition. This will certainly help reduce the risk of getting products registered, since nutrition products are potentially less dangerous and should take less time to get authorisation."

With $75m in the bank, Medgenix aims, according to Mr Sordet, "to establish in all European countries a stronger position than any national company will be able to build up outside its home territory."

He adds: "The trouble with national companies is that they are often too dependent on their home market or on their Government for support. They lack talented international management and their sales forces are generally too big. Our plan is initially to make one acquisition per country by the end of this year, but later to join with those national companies that are bigger than us in their home market and offer them low-cost access for their products to the rest of Europe. That second phase I want to complete by the end of 1990."

Medgenix's production is almost all sub-contracted at the moment, but if Mr Sordet succeeds in his plan the company will move into manufacturing, creating 170 industrial jobs in Belgium to add to its 120 existing research staff and 100-strong sales and administration team.

Tim Dickson

Royal Tapestry Manufacturer of Gaspard De Wit

Historic threads restored

THE pink brick facade of a 15th century former monastic refuge in Flanders conceals one of the hidden gems of Belgian culture.

Climb a stone staircase in the corner of a courtyard and you enter a large airy hall, now a tapestry workshop, its ancient interior walls bearing shelves loaded with multi-coloured bales of wool from floor to ceiling.

This is the grandly named Royal Tapestry Manufacturer of Gaspard De Wit, a thriving small business that celebrates its first century this year. Tucked into a back street of the medieval town of Mechelen, it is a fascinating corner of the country's culture for those keen to know the "insider's" Belgium.

De Wit's 20 staff are all that remain of the historic Flemish tapestry industry, which in the 16th Century employed around 50,000 people in the Flanders region. Successive wars, plus the dwindling popularity and soaring prices of tapestries, have since almost wiped out this traditional skill. Yet De Wit is enjoying record prosperity in the hands of 39-year-old Mr Yvan Maes, who inherited the business – then on the point of collapse – from his grandmother nine years ago.

Indeed, its only two Belgian competitors went under in the interim, priced out of a stagnant market by mainly French competition. De Wit now sees its nearest competition coming from three Parisian workshops, Chevalier, followed to a lesser extent by Aubusson and Gobelins, which have different specialities. Scores of self-employed weavers still dotted around the Benelux region are also active in the market.

The problem is that new tapestries are enormously expensive, costing BFr 100,000 (£1,500) to BFr 150,000 per square metre at De Wit's rates. Restorations are almost as costly, and beyond the pockets of all but the richest public galleries.

Yet De Wit somehow returns roughly 10 per cent net profit on its BFr 20m annual sales and has orders stretching ahead for 18 months.

The Mechelen business survived by being among the first to exploit a new and specialised skill, tapestry conservation. This is a fundamentally different and more affordable approach than restoration, in which more traditional companies such as Chevalier still specialise. Conservation aims to preserve and stabilise the existing fabric of a tapestry rather than attempt to weave in new patches to restore it to a sometimes inaccurate vision of the original.

"This way it is possible to produce something that is reasonable in price for pieces that are in such bad condition that they are considered lost. It also respects the tapestry and is more honest to its history," says Mr Maes.

The main problem is to deal with bald patches, where coloured silk or wool has worn away, leaving exposed and loose warp (horizontal) threads. The solution is to strengthen the loose tapestry with a neutral coloured linen backing and bind the warp together with widely spaced silk strands chosen to match the dominant colour of the surrounding composition.

While conservation is the fastest growing part of the business, De Wit continues to provide full restorations and new works. Other well-known De Wit products include a tapestry of the space shuttle, hanging in the US headquarters of Northrop Corporation.

Restoring De Wit itself has not been easy for Mr Maes. The business was founded by his great-grandfather and working practices had changed little when Mr Maes began his apprenticeship there at the age of 17. When he later inherited the business, then specialising in restoration and weaving, Mr Maes was forced to lose half of the then 10-strong workforce.

William Dawkins

Real-life drama at the Monnaie

A battle of the ballets looms

BRUSSELS, wrote Robert Southey, is "the Paris of the Belgians and wants a little fire and brimstone". In fact, the Belgian capital which writers from Byron to Baudelaire have found so comfortable – or moribund – is not wanting for fire and brimstone. These smoulder away within layers of a linguistic and cultural inheritance that threatens now and again to bring forth a full-scale volcano. In fact just such an eruption appears to be building up beneath the Theatre Royal de la Monnaie, home of Belgium's national opera and dance companies, and the bastion of the Belgian establishment.

Under the management of Mr Gerard Mortier the Monnaie has become one of Europe's finest opera houses. A Flemish native of Ghent, Mr Mortier took over as director of the Monnaie in 1981, fresh from the Paris opera house. Mr Mortier rapidly lifted the Monnaie opera company and orchestra out of the doldrums and put Brussels back on the opera-goer's map. In his early years Mr Mortier mounted up to seven new productions a year employing some of the most innovative producers in Europe and stellar casts.

However, while earning critical acclaim the Monnaie was running deep into the red. The growing deficit complicated Mr Mortier's life not only with the Government but with Mr Maurice Bejart, one of the giants of modern ballet whose troupe had been in residence at the Monnaie for 25 years.

In his years at the Monnaie Mr Bejart grew into an international star and though originally from Marseilles became Belgium's leading cultural figure second only to Mr Jacques Brel, the Brussels singer and song writer. It was Mr Bejart's ballet of the 20th century which attracted audiences to the Monnaie and kept the theatre's finances in order. Indeed Mr Bejart was so successful that he was almost always in the black and after Mr Mortier's arrival, the ballet's revenues helped to subsidise the opera's deficit. Two years ago, however, when the government ordered Mr Mortier to cut back on spending he responded that both he and Mr Bejart would have to curtail their budgets, a position that Mr Bejart found unacceptable.

After failing to secure a separately managed budget for the ballet Mr Bejart decided to quit the Monnaie and accept an offer to take up residence in Lausanne. But Mr Bejart continues to cast a long shadow over the Monnaie and Belgium's cultural life. Former members of his dance troupe are the leading dancers and choreographers of the Royal Flanders and Royal Wallonia Ballet companies. Many artists, critics and politicians would like the impresario to come home and, in fact, posters of Mr Bejart are plastered all over Brussels months in advance of a two-week engagement in November.

Not surprisingly nostalgia for Mr Bejart has done little to encourage his replacement at the Monnaie, the American dancer Mr Mark Morris. During the past few years Mr Morris has been "hyped" by the US dance press and genuinely admired by many of the European critics. His star was certainly rising when Mr Mortier decided to move Mr Morris and his company from New York. Furthermore, the choice of an American company seemed to be a bold pre-emptive strike against any possible row between Flemish and Francophone activists over Mr Bejart's successor.

Mr Morris arrived with fanfare but once Belgian audiences started to see his work they gradually turned against him. Full-scale hostilities broke out in April over the performance of Mythologies largely inspired by the ideas of Roland Barthes. This includes a full striptease by Mr Morris and other dancers. The Belgian press denounced Mr Morris and his patron Mr Mortier for imposing "American pulp" culture on the country.

The Brussels daily Le Soir commented that "the man who succeeded King Bejart was revealed in all his nakedness. This lamentable spectacle has plunged into consternation those who had placed their hopes in Gerard Mortier's American find."

Mr Morris has struck back with a series of interviews in Vanity Fair and Dance Magazine. Mr Bejart he finds to be totally passé and another well-known Flemish choreographer, Anne–Teresa de Keersmaeker (Tear Jerker as Mr Morris calls her), so tedious Mr Morris had to walk out during the first act. None of these remarks has helped to improve his declining popularity in Belgium. Furthermore the public can look forward to a full-scale battle of the ballets in the autumn when either by design or accident Mr Bejart's November performances will coincide with the start of the Monnaie's new season.

So far Mr Mortier is sticking by his "American find" reminding the critics that Mr Bejart was just as unpopular when he arrived in 1963. Nevertheless, the coming years are likely to be awkward for both Mr Mortier and Mr Morris. Mr Morris's contract comes up for renewal in 1991 and Mr Mortier's in 1992. If the director wants to stay on at the Monnaie he may well have to shed Mr Morris at the end of three years. For many Belgians it will not be soon enough.

Eugenie Maechling

Sweet success

EVEN IN a country already celebrated for its chocolates, Wittamer of Brussels is special.

Situated in one of the city's most beautiful squares the Place du Grand Sablon, its range of chocolates, pastries, cakes and ice-cream will quickly break the resistance of visitors to the Belgian capital.

One reason for its success is its individuality, very traditional but at the same time highly original. With 65 different sorts of pralines besides their assortment of breads, croissant and cakes it is no wonder that one of the company's mottoes is from the author Andre Gide: *"Place ton bonheur dans l'instant."*

Founded in 1910 by Henry Wittamer (of Austrian descent) the original bakery and pastry shop has since been expanded to include confectionery and catering. There are 70 employees who make everything on the premises, invariably under the watchful eye of a member of the Wittamer family.

The business is now run by the grandchildren of Henry and his daughter-in-law Madame Yvonne Wittamer, an amusing lady who is a fund of anecdotes about the business, including the occasion an Earl Grey-flavoured praline was created to mark the visit of Queen Elizabeth.

Jo Mulcaire

Crossroad of a nation

ALL roads, they say, lead to Rome – but it is also the case that the two main Belgian motorways (E17 and E40) and the mouth of the two most important rivers of Flanders (Lys and Scheldt) meet at Ghent.

Ghandon, as it was originally called, is the historical heart of Flanders and has been shaped by French, Spanish and Dutch influences among others over the years.

In 1800, for example, when Lieven Bauwens brought – or "smuggled" – the famous "Mule Jenny" to Ghent, the city became the "Manchester of the Continent", thanks to the rapid growth of the textile industry. The sumptuous town mansions with their facades in French style, are testimonies to that prosperous period.

The industrial tradition, of course, continues today. Most people driving Volvos may not realise it was probably manufactured at the company's Ghent plant.

Above all, Ghent is famous for its buildings, (including castles and churches like the cathedral and its belfry) and its attractive squares. It is the town where Charles V was born, where Jan Van Eyck painted his "Mystic Lamb" (which can still be admired in the St Bavon's Cathedral) and where every five years the world's flower lovers come to the giant Floralia.

Annual events, such as the Flanders Technology Exhibition, the International Film Festival and the Festival of Ghent always bring hordes of experts, film fans and tourists to the Mecca of the "Stropkes" (noose-bearers).

Visitors in need of refreshment can choose from more than 100 foreign restaurants, but the adventurous will try the typical Ghent specialities, such as chicken-waterzooi, hotchpotch, braised beef, *mokken* (cakes), *Katrienspekken* (sweets).

Charles V once said to the King of France: "Je mettrais Paris dans mon Gand" (I would put Paris in my Ghent/glove). Ghent today can arguably put the world in its glove: there is a St Peter's square and a little sister of Notre Dame in St Bavon's cathedral, while the Suez canal is merely a larger copy of the Ghendt-Terneuzen canal. The Panamese used Ghent technique to dig what is now the world's largest sea canal.

Anne-Marie Vandenabeele

BUSINESS GUIDE

Currency: Belgian franc
100 Centimes = BFr 1
Exchange rate: BFr 65 = £1, (June 1989)
Currency regulations: import – no restrictions; export – no restrictions
Tipping guide: hotel staff, BFr 40-BFr 50; restaurants' service included in bill; taxis, no tipping; porters, BFr 30-BFr 40
Credit cards: Amex, Diners, Eurocard, Visa
Visas: not required by US, Japanese, or for most European nationals, (up to 3 months' stay)
Vaccinations: smallpox vaccination required, except for residents of European countries, Canada and US
Customs allowances: import (EC countries), 300 cigarettes or 75 cigars or 400g tobacco; 1.5 litres spirits or 4 litres wine; plus other goods to value of BFr 7,500
For visitors from other countries: 200 cigarettes or 50 cigars or 250g tobacco , 1 litre of wine or 0.25 litre of spirits; plus other goods to value of BFr 1,600

Business hours:
Offices: 09.00 - 17.30, Mon-Fri
Banks: 09.00 - 15.30, Mon-Fri
Shops: 09.00 - 18.00, Mon-Sat

Business languages: Dutch, French, German and English

National holidays: Jan 1, May 1, July 21, Aug 15, Nov 1 and 11, Dec 25 and 26

Climate: temperate; wet winters, (suitable business wear: medium-weights throughout the year, with overcoat for winter)

Driving licence: International Driving Licence and foreign licences accepted, but a Belgian licence is obligatory for residents

Water supplies: tap water is safe to drink

Electricity supply: 220 volts, a.c., 50 cycles

National airline: Sabena World Airlines, (headquarters: 35, rue Cardinal Mercier, 1000 Brussels; tel 32 2 511 90 60

Car hire:
Avis: tel 32 2 751 88 94
Hertz: tel 32 2 720 33 11
Europcar: tel 32 2 640 01 95

Hotels in Brussels include:
□ Amigo, rue de l'Amigo 1- 3, 1000 Brussels Tel 511 59 10; telex 21618
□ Hilton, 38 Boulevard de Waterloo, 1000 Brussels; tel. 513 88 77; telex 22744
□ Stephanie, avenue Louise 91 - 93, 1050 Brussels; tel 539 02 40; telex 61871
□ Jolly Hotel Atlanta, 7 Bld. A. Max, 1000 Brussels; tel 217 01 20; telex 21475
□ Scandic Crown, 250 Rue Royale, 1210 Brussels; tel 217 12 34; telex 61871

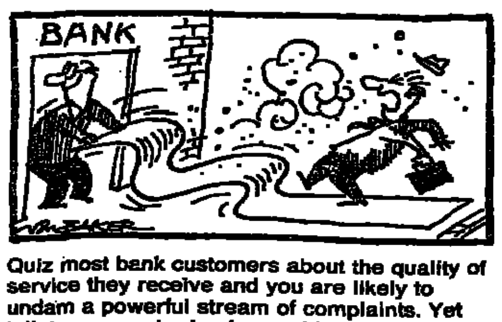
Useful addresses:
□ The National Bank, (Banque Nationale de Belgique), 5 Blvd de Berlaimont, 1000 Brussels; tel 32 2 219 46 00; telex 21355
□ Stock Exchange, (Commission de la Bourse de Bruxelles), Palais de la Bourse, 1000 Brussels; tel 32 2 512 51 10
□ Government Statistics, (Institut National de Statistique), 44 Rue de Louvain, 1000 Brussels; tel 32 2 513 96 50
□ Federation des Enterprises de Belgique (Belgian Employers Association), 4, Rue Ravenstein, 1000 Brussels; tel. 32 2 515 08 11
□ British Chamber of Commerce, 30 Rue Joseph 11, 1040 Brussels; tel 32 2 219 07 88
□ American Chamber of Commerce, 50 Avenue des Arts, 1040 Brussels; tel 32 2 513 67 70
□ Chambre de Commerce de Bruxelles, 500 Avenue Louise, 1050 Brussels; tel 32 2 648 50 02
□ Antwerp, Kamer Van Koophandel & Nijverheid Van Antwerpen, Markgravestraat 12, 2000 Antwerp; tel 32 3 232 22 20
□ Ghent, Kamer van Koophandel & Nijverheid van het Gewest Gent, Building Lieven Bauwens, 41 Martelaarslaan, 9000 Ghent; tel 32 91 25 33 07
□ Liege, Chambre de Commerce et d'Industrie de Liege, Rue des Mineurs, 4000 Liege, tel. 32 41 23 62 11

Jo Mulcaire

FINANCIAL TIMES
COMPANIES & MARKETS
Monday June 19 1989

INSIDE

The not-so-red carpet treatment



Quiz most bank customers about the quality of service they receive and you are likely to undam a powerful stream of complaints. Yet talk to any senior banker and he will quickly say that good service is one of his key aims. David Lascelles, in the Business Column, explains why banks have such trouble getting quality into the market. Page 38

Setback for Asher Edelman

Mr Asher Edelman, the US arbitrageur has suffered a setback in his battle with Storehouse. The UK Takeover Panel ruled last Friday that he must convert his "provisional" bid for the stores group into a full bid within a specific, but as yet undisclosed period. Page 26

Nightmare Abbey

A logistical nightmare. That is what the Abbey National's forthcoming flotation looks like at first glance, since it involves processing paperwork for up to 5.6m potential investors. Yet in some respects the issue is less complex than British Government privatisations and Abbey has been able to curtail greatly the paperwork involved. Page 26

Hinting at a return to health

The liberalisation of the Euroyen sector of the international bond market that allowed a clutch of short-term deals to emerge on Friday did not herald a revolution in the market. For weary syndicate managers, however, it held out the distant prospect of a gradual return to health for a sickly sector. Page 22

Home arguments from abroad

By Anthony Harris in Washington

On the whole I have suffered hardly any nostalgia since I crossed the Atlantic, rather to my surprise; but the sight of two old friends, Tim Congdon and Brian Reading, playing I'll-be-Thatcher, you-be-Lawson in our correspondence columns, did the trick.

These arguments about over-funding meant a lot to me once. Monetarists seem to inhabit an intellectual permafrost, and the old, deep-frozen arguments have affected me like a wartime bugle found in the attic. Washington adds a new perspective, but essentially this is a very British argument, like Dean Swift's big-endians and little-endians.

It goes back a long way, arouses strong passions, and makes not much sense. Over-funding – selling more Government bonds than are required to finance the public sector's needs – started in Britain long before the budget went into surplus. It was devised to offset excessive private short-term borrowing by repaying short-term public debt, and thus cut bank balance sheets back to size.

This did achieve apparent control of monetary growth, but only by contradicting Professor Milton Friedman's dictum that money and credit are two sides of the same coin. The "corset" controls on the banks were another ingenious way to achieve flattering figures: does anyone want to revive them?

In managing over-funding, the Bank of England behaved much as Mr Reading described in his letter: it decided that it had to do something with the money it raised. First it bought in all the Government's short debt, until there was a Treasury Bill famine; and when it could buy no more, it switched to commercial paper. At one stage the Bank became much the biggest lender to British industry.

It would surely have been simpler to check the growth of bank intermediation by encouraging investors to lend directly to industry in the commercial paper market, rather than by selling long bonds to the public so that the Bank of England could buy in the commercial banks' industrial loans; but this sensible change in the rules was made only at the end of over-funding.

Mr Congdon writes as if he had forgotten this episode when he argues (rightly) that recycling of this kind makes over-funding pointless. Over-funding as it was actually practised (and would probably be practised again) massaged the money numbers, but that is about all.

Mrs Thatcher herself had something to do with putting a stop to the whole charade. Subsequently the Government has made a lot of money selling assets, and doing something, by way of a budget surplus, to finance its future pension liabilities. It seems only natural to use these funds to redeem its bond liabilities, which Mrs T approves; or to buy dollars for the currency reserves, which she bars.

Either way, sterling gets back into private hands, and Mr Congdon objects. But the alternative – to use government borrowing to shrink the Bank of England's balance sheet, like a solvent company winding up – has very little do with the broad-definition monetary target Mr Congdon favours. Provided it is allowed to put a squeeze on the commercial banks, it is monetary base control, once preached by Mr Gordon Pepper. The monetary base, not broad money, is the target.

The British authorities studied this idea several times, and rejected it; they think it is their job to protect the banking system. But if the banks are sheltered from the squeeze on the public balance sheet, the result would look just like M0 targetting. Mr Lawson has hit his M0 targets, but nobody seems to care. The whole picture looks very different in the US.

The Federal Reserve is no more monetarist than the Bank of England – both institutions study the money numbers continuously, and can make little sense of them. But the Fed is perfectly willing to put pressure on the commercial banks, and does so daily. The aim of its open-market operations is to drain reserves from the banking system, or to supply them.

These interventions have a powerful effect, as everyone knows: quite small interest rate moves will make yield curves twist, exchange rates jump, and bond markets tremble, which suggests that policy is much more powerful when people can understand it. The plea for over-funding suggests a different moral: that monetary policy works better when there is plenty of government debt to sell. Odd, that.

The Fed's operations do affect the money numbers, and actually in much the same way as over-funding does: that is, tight reserves drive commercial borrowers out of the banks and into the commercial paper market; but whether this matters depends on which aggregate you watch. Narrow monetarists currently argue that Fed policy is too tight, because they watch narrow measures, which are squeezed under these methods; the inflation-doomsters believe it is not tight enough, because they watch broad ones. Both are dissatisfied fringe minorities.

From abroad, Fed policy looks less benign; the gyrations of the dollar and of foreign dollar reserves, the build-up of several hundred billion dollars of bad debts, domestically and internationally, and the sufferings of the poor in many debtor nations, are not trivial costs to set against sustained growth and moderate inflation in one country. The Fed should remember that it is an elephant in a rowing boat.

However, it has had a great deal else to cope with: the results of its own weakness in the 1970s, the rise and fall of White House monetarism, and of the oil price; with venal and gullible bankers and politicians, with deposit insurance laws which invite fraud and tax incentives which encourage speculation, and with a US budget partly out of control. This is rather a heavy load to place on open-market operations.

Mr Alan Greenspan, the Fed chairman, meets the Keynes test of a useful economist – a helpful technician, not a High Priest. The Fed governors, who can muster a whole doctrinaire debating society, agree in practice to watch a whole list of indicators – wages, sensitive commodity prices (including gold), exchange markets, industrial bottlenecks, credit trends and asset prices – as they debate whether to give a gentle nudge to the credit markets.

Oh yes: and the money numbers. The Fed still targets the broader aggregates, but with wide ranges, and sceptically. The Governors' opposite numbers in Threadneedle Street would no doubt approach their job in much the same way if they were left to themselves.

Whether what is right for the Fed would be right for a smallish members of the European Community is quite another question, which should be left to debaters who are on the spot.

Little bulls tremble as big bulls charge

Peter Bruce looks at the strain placed of Spanish brokers by impending stock market reforms

Widespread uncertainty about how a sweeping reform of Spain's stock markets on July 29 is going to be implemented is straining decades-old bonds between stock brokers in Madrid and threatening to ignite a damaging fight over commissions once the reform comes into effect.

Applications for membership of the new markets close this Friday and it is already clear that the reform is going to be much less dramatic and far more chaotic than originally thought.

The reform is vital to Spain. Although the markets, capitalised at $174.8bn (£116bn) at the end of last year are bigger than, say, Italy's, an increasing number of Spanish companies have begun to search for new capital abroad, complaining of poor liquidity at home.

Foreign investment, which accounts for about a quarter of the trading volume in Madrid, is still worryingly speculative and big foreign institutional investors are hesitant. A chaotic and arduous settlements system, and the almost complete lack of transparency in the market, have kept Japanese investment particularly low.

But six weeks off the reform deadline, overworked staff at the new market regulator, the Comision Nacional del Mercado de Valores (CNMV), still have an impossible amount of work to plough through:

● They have to finish registering up to 50 new broking and dealing companies formed by existing brokers *agentes de cambio y bolsa* whose old individual trading licences are being revoked.

● Companies have to be created to administer the Madrid, Barcelona, Valencia and Bilbao stock exchanges. These company's then have to decide how to finance their exchanges.

● A centralised body to run a quick, simplified, book entry settlement system still has to be created. The CNMV has given up any hope that this can be done by the end of July.

● A new company in which each exchange will have a 25 per cent stake, has to be created to run a new computerised trading system (Cats), which should replace the 10-minute floor trading sessions that take place in each sector.

● Serious work on a code of conduct has not yet begun, despite the fact that most of the new brokers will form part of companies or banks heavily engaged in investment banking or which have important shareholdings in quoted companies.

Prospective brokers and dealers are still not sure what the the CNMV president, 38-year-old Mr Luis Carlos Croissier plans to do with commissions. His instinct is to keep the current fixed 0.25 per cent but if he does, say some small houses, it will be almost impossible to do profitable retail business.

The smaller brokers would prefer two fixed commissions – 0.25 per cent for institutional business and a higher one for retail deals.

Mr Croissier's other option is to fix 0.25 per cent as a minimum until commissions are fully liberalised in 1992.

"At 0.25 per cent there will be no retail business," said Mr Cesar Alierta, president of Beta Capital, which has linked up with an agente to become a dealer-member of the new Madrid market.

One senior agente, Mr Carmelo Lacaci, whose firm is registering as a broker in partnership with one of Spain's big commercial banks, Banco Espanol de Credito (Banesto), said agentes had begun urgent talks on how to prevent a commissions war after July 29.

The overriding fear among smaller houses is that the bank-ed-backed brokers will quickly dominate the new market.

"People have still not become used to dealing with (independent) professionals," said Mr Teodoro Millan, executive director of Benito & Monjardin. B&Ms chief executive, Mr Juan Fabregas, said he thought 50 members in Madrid – which will do more than 90 per cent of the trading in Spain – would be excessive. "We don't think there will be enough market share for everyone."

The bank-backed brokers are trying to calm the frayed nerves. Mr Lacaci said it was crucial in the next few weeks to agree on a "neutral" way for members to finance the exchanges. The Securities Market Act, passed less than a year ago, distributes voting power on the new exchange governing bodies by weight of capital – giving bank-backed brokers great influence.

"We could dominate the market (in both trading and administration)," Mr Lacaci said, "but it would be a market full of corpses."

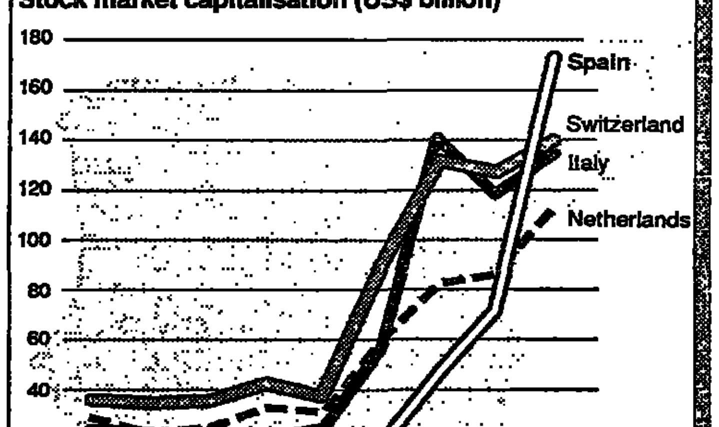
Nevertheless, the sheer uncertainty about what is going to happen is making agentes nervous as they work out their last weeks as Government-appointed traders.

A fierce struggle for analysts and traders has already broken out, with staff with two or three years experience at independent (non-bank) houses being offered huge sums to defect. Senior analysts in Madrid now earn close to Pta10m (£50,000) a year, but offers of double that are emerging.

Mr Lacaci said his firm was also hiring from London – he plans to more than triple staff to 100 in a year – and that salaries of up to Pta 40m for very senior staff were possible.

There will also be serious difficulties in implementing computerised continuous trading, Mr Croissier admits, because the new legislation allows quoted companies to decide for themselves whether or not to enter the Cats system. By July 29, he says, only 30 per cent of the shares quoted in Spain will be on Cats and that the process could take two years to complete. Floor trading will continue, meanwhile.

How Spain has emerged
Stock market capitalisation (US$ billion)



Source: IFC

Economics Notebook

The force for monetary union

SPAIN'S decision to join the exchange rate mechanism of the European Monetary System from today is just the latest – albeit most spectacular – evidence of the bandwagon rolling for greater monetary integration on the European mainland.

In a recent major speech, Mr Karl Otto Pöhl, the Bundesbank president, went so far as to declare that European economic and monetary union was no longer a utopia.

Mr Pöhl, regarded by some in Whitehall as a sceptic and ally of Mrs Thatcher on European monetary matters, said in Cologne: "We find ourselves in a dynamic movement towards this goal that I am convinced is irreversible."

The Bundesbank is actively preparing itself for increased integration in the European Community.

Bundesbank men are to be posted to Paris, Rome and Madrid, giving the bank a European network alongside its established representations in the major financial centres of New York, Tokyo and London.

This activity should strengthen the Bundesbank's already strong claim to be the home of the European System of Central Banks, the EC monetary authority envisaged in the Delors report on economic and monetary union.

It could be bad news for the Bank of England if Sir George Blunden, its deputy Governor, was serious last week in making a pitch for London to be the home of ESCB.

Dollar Doggedness

Mr Pöhl's enthusiasm for Europe contrasts with his coolness towards intervention by the Group of Seven countries to curb the rise of the dollar.

The Bundesbank decision to sell dollars last Friday for the first time since the end of May marked a change in tactics not strategy. Mr Pöhl believes intervention "against the wind" can encourage the dollar bulls.

He said in Basle last week, that the central banks must avoid selling dollars too cheaply for fear of giving speculators currency that they can resell without risk at a profit only hours later.

One result of this caution is that the Bundesbank's dollar reserves are roughly at the same level today that they were at the start of this year's sharp dollar rise.

Dollar sales through intervention have been made up by interest earned on the Bundesbank's reserves and money that flows to the Bundesbank from the US forces in West Germany.

By contrast, the US has sold dollars heavily. European central bankers say the Fed sold $7.5bn for D-marks and about half that amount for Japanese yen in the period to the beginning of June.

Last week's dollar declines may possibly be sign that this doggedness is starting to pay off.

Domesday Tax

Would Mr Nigel Lawson have kept a better grip over inflation if he had a land tax in his fiscal armory?

The question is prompted by a new study*, published by the Centre for Incentive Taxation, which suggests that the UK Government is depriving itself of a potentially important economic policy lever simply because it has no idea of the value of land within Britain.

So long as property was taxed through rates a land tax would have been politically impossible. But with rates giving way to the poll tax, land tax may be worth re-examination.

Unlike rates, a land tax would apply to site values only and not the buildings or other capital improvements on them.

The relevance to the Chancellor's present plight is that a land tax could have removed one major factor that encouraged the property boom which preceded the present inflationary surge.

A land tax would encourage owners of vacant land to bring it onto the market.

It could have thus limited rising land and property prices and the associated phenomenon of equity withdrawal, where strong growth of credit, granted on the back of rapidly rising house prices, stoked last year's boom in demand and helped cause Britain's huge current account balance of payments deficit and its continued inflationary pressures.

The study says Britain would need a new Domesday Book – a full cadastral survey of land use throughout the UK – as an initial step to such a tax.

This, it is claimed, would be cheaper to arrange than the poll tax register.

Modern computer technology would make constant updating of values possible. Such a scheme is already used in Denmark.

The study's authors believe a new Domesday Book would show that economists have greatly underestimated land's rental value and taxable potential in Britain.

A Domesday survey could also provide information for rational decisions on agricultural and environmental issues and in cases such as water privatisation where large chunks of land will change hands.

**Costing the Earth, edited by Ronald Banks, Shepheard-Walwyn (Publishers) and the Centre for Incentive Taxation. (£5.95).*

Peter Norman

THIS WEEK

May figures for measures of the UK money supply could be among the most closely watched economic statistics this week.

The various aggregates have shown different patterns in recent months. Growth in M0, the narrow measure, has slowed considerably, almost falling within the Government's 1 per cent to 5 per cent target range. But M4, which includes bank and building society deposits, continues to grow at an annual rate of more than 18 per cent.

The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for tomorrow's figures to show a 1.1 per cent rise in M0 since April. M4 is expected to have increased by 0.7 per cent. Bank and building society lending is expected to have risen by £6bn.

Figures for Gross Domestic Product in the first three months of 1989, also tomorrow, will give clues to the strength of economic activity. Analysts expect the average measure to show no growth.

In the US, trends in the personal sector could provide a theme for financial markets, possibly influencing the short-term course of dollar trading.

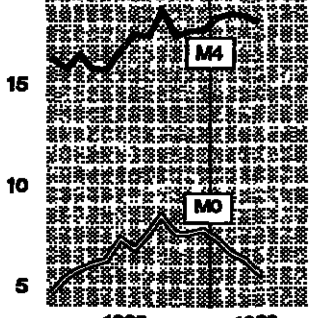
Figures for personal income and consumption in May are published on Friday. Analysts expect rises of 0.4 per cent in incomes and 0.3 per cent in consumption.

First quarter US Gross National Product figures are released on Thursday showing the strength of economic activity. A 4.3 per cent rise compared with the previous quarter is forecast.

May's advance report on durable goods is published on Friday. A rise of 0.5 per cent is expected.

French inflation features tomorrow with the publication of May consumer prices index. April's figures showed a rise of 0.6 per cent compared with the previous month, taking the annual rate to 3.6 per cent.

Annual percentage change



May's figure is expected to be relatively poor, perhaps rising by 0.4 per cent.

French industrial production figures for April are released today. In March there was a fall of 0.8 per cent.

In West Germany, Mr Karl Otto Pöhl speaks on "The Way to an European monetary union on Thursday. Other events and statistics this week (with MMS International consensus of market forecasts in brackets) include:

Today: Australian current account figures for May. European Community economic and finance ministers meet in Luxembourg. Japan, first quarter gross national product.

Tomorrow: UK revised capital expenditure in first quarter. Japan, household consumption expenditure in April.

Wednesday: US Federal Budget for May (-$20bn) Two-year, four year Treasury note auction. UK construction, new orders in April. Australian retail trade in April.

Thursday: UK manufacturers and distributors stocks in first quarter. US corporate profits in first quarter. Japan, wholesale prices in June.

Friday: UK, Mr Nigel Lawson, the Chancellor, addresses the Welsh Conservative party conference. May cyclical indicators. Building societies monthly figures for May (£4.5bn). US 52-week Treasury bill announcement.

EUROCREDITS

French theme for EuroDisney loan

MICKEY MOUSE is finally making his appearance in Europe – and Japan and a few other places as well. Almost a year after it was first mooted, EuroDisney SCA has at last prepared its first foray into the Euroloans market with a FFr7bn 18-year loan to be syndicated in three separate tranches.

The loan is intended to augment a $1bn offering of shares set for this autumn which will provide the equity portion of financing for Europe's first Disney theme park – a 4,800 acre site 20 miles east of Paris. The equity and debt financings together are intended to provide funding for construction of the park's core.

The form of the loan has apparently been reconstituted since rumours of its arrival first appeared in the press a year ago. The most significant change is apparently substituting the European Investment Bank (EIB) for the role initially intended to be provided by the French state via its own Caisse des Dépôts et Consignations.

Letters were sent last Wednesday by the lead manager for the loan, Banque Nationale de Paris, with support from Morgan Guaranty. Unlike the Eurotunnel financing, the loan will not be syndicated internationally but each portion will be aimed at a small number of banks. Terms for each of the tranches are expected next week.

The largest of the tranches is a FFr4.5bn loan to be syndicated among banks with domestic French franc operations – meaning that only local banks or French-based branches of foreign banks will be invited to participate. In addition, there is a FFr1bn tranche to be syndicated exclusively among banks based in Japan. Finally, there is the so-called FFr1.5bn EIB tranche in which funds will be extended by the EIB which, in turn, will arrange for a backstop facility from a group of commercial banks.

Terms of the loan are the subject of intense speculation among bankers. After all, EuroDisney has no revenue-producing assets as yet although it does have the backing of one of America's best-loved companies, Walt Disney, with a 17 per cent stake.

Elsewhere in the Euromarkets, GPA Group, acting as borrowing agent for a group of aircraft leasing limited partnerships it controls, completed a $1.25bn eight-year aircraft financing facility with oversubscriptions received totalling $3.2bn. However, GPA has decided against receiving additional funds.

The facility, arranged by Citibank, followed a novel structure in which lenders' funds were assigned to the various partnerships on a pro-rata basis. The mechanism was designed to avoid forcing GPA's various partnerships from having to compete with each other simultaneously in the loans market.

The facility will comprise revolving loans and/or letters of credit and/or guarantees on either a committed or an uncommitted basis. Committed facilities carry a margin of $\frac{1}{16}$ over London interbank offered rates, although funds assigned to the GPA Airbus limited partnership carry a slightly lower margin of ⅞ per cent.

Polly Peck International signed a $70m three-year composite credit facility arranged by United Mizrahi Bank and Commonwealth Bank of Australia. The facility consists of $35m in letters of credit and $35m in cash. Terms were not disclosed.

TCI, a wholly-owned subsidiary of US-based Tele-Communications, has increased the size of its revolving credit facility to $475m from the $300m initially planned.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,930.0	300.0	127.3	11,559.8
Prev	4,020.7	0.0	270.0	10,442.4
Other	1,398.0	376.9	0.0	4,922.6
Prev	1,592.1	0.0	0.0	1,658.2
Secondary Market				
US$	31,904.7	1,507.0	7,985.7	7,791.6
Prev	13,807.7	828.5	4,188.9	7,386.0
Other	16,846.0	1,890.4	3,426.0	27,324.3
Prev	12,913.4	603.3	3,347.2	21,183.5

	Cedel	Euroclear	Total
US$	13,948.6	50,156.7	64,105.3
Prev	10,330.6	30,613.6	40,944.2
Other	24,928.3	31,255.3	56,183.6
Prev	17,532.2	23,765.5	41,297.7

Week to June 15, 1989

Source: AIBD

INTERNATIONAL BONDS

Euroyen deals hint at slow return to good health

THE liberalisation of the Euroyen sector that allowed a clutch of short-term deals to emerge on Friday did not herald a revolution in the market. For weary syndicate managers, however, it held out the distant prospect of a gradual return to health for a sickly sector.

The issues launched on Friday spoke volumes about the state of the market. Of the deals, all were for small amounts of about Y10bn ($70m), only five were straight maturity – so-called plain vanilla deals – while the rest were specialty issues, targeted in the sense that redemption or coupon payments were linked to the Nikkei stock index or Japanese government bond futures contract.

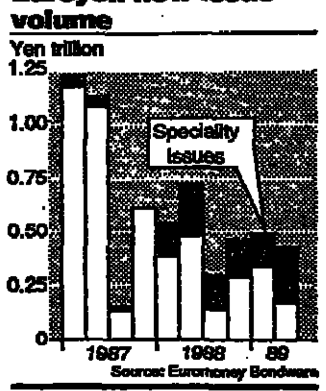
The small size of the deals was welcomed by Eurobond houses, which had been worried that the lifting of restrictions on maturity and credit ratings for non-Japanese borrowers might lead to issuance that would swamp the limited demand outside Japan for yen-denominated paper.

It reflected primarily, however, the real lack of liquidity on the secondary market for Euroyen bonds. In recent months many issues have been aimed at specific accounts, often in the Far East, and have never traded on the open market. Even more public deals have tended to drift back to Japan, where the paper is locked away.

Frustrated by illiquidity and uncertain demand, financial engineers have perfected deals offering Japanese investors high coupons in return, for example, for a bet against the performance of the Japanese equity market. Life insurance companies which own large stock holdings at well below book value have a natural hedge against the instruments and snap up paper when they are offered the right package.

But they cannot escape the fact that, as one syndicate manager said, "the secondary market in Euroyen bonds is virtually non-existent. Paradoxically, this means that we can bring new issues which look tightly priced, because the secondary market prices give no idea as to where there is investor demand."

Euroyen new issue volume



Source: Euromoney Bondware

There was much comment, however, that although the continuing deregulation of the Euroyen sector was welcome, cyclical factors made it unlikely there would be a dramatic pick-up in business in the next few months.

Mr Jan McCourt, of Daiwa Europe, said: "Friday's business represented a trial of the new world, demonstrating the potential for greater interest in the shorter end of the maturity range. Deals will get bigger and liquidity will improve, but slowly and in line with demand."

In particular, traders pointed to the yields offered by some of Friday's deals. For example, the Chrysler issue was priced to offer an all-in yield of 5.52 per cent.

The US car manufacturer, rated triple-B, was the first borrower to take advantage of the removal of rating restrictions, but as one dealer pointed out the bonds offered a yield below that of secondary market paper issued by US corporations with a AA rating.

More pertinent, the Chrysler bonds offered only a marginal pick-up over one-year Euroyen deposit rates, which were yielding 5¼ per cent last week.

The market for plain vanilla bonds has been severely constricted by the lack of arbitrage possibilities and by the relative weakness of the yen against other currencies.

The lack of swap opportunities goes back as far as the middle of last year and has been an important brake on activity. Even triple-A rated borrowers find it cheaper to borrow in other currencies and swap into yen than to borrow directly in yen.

The currency, too, has lacked the fundamental attractions which once made it so powerful. During the long bull run of yen appreciation over 1985/87 the bond market stormed ahead as non-Japanese investors pocketed good returns.

Last week the yen see-sawed, reaching what many thought was its temporary low point when it fell below Y150 to the dollar, before rallying to about Y145 against the currency. In the short-term, traders expect the volatility of the currency to continue, but the longer-term outlook is more favourable.

Today, according to syndicate managers, most institutional portfolios have their lowest weightings in yen bonds for five years. The yen's weakness against the dollar has diminished the attractions of investing in the sector, while fears of further rises in Japanese interest rates have also played their part.

Against the background of these cyclical factors, lack of demand for Euroyen bonds has led to lack of supply, feeding the move towards illiquidity and setting a vicious circle which has proved hard to break.

Certainly the Japanese Ministry of Finance's expressed determination to deregulate the Tokyo market will help, but Friday's changes were, nevertheless, greeted with cynicism by some officials.

One portrayed the lifting of what he called "silly restrictions," and argued that the rules had originally existed to protect the domestic system of bank debentures which could only be issued by Japanese commercial banks.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nippon Sheet Glass Co.#◆	250	1993	4	4	100	Daiwa Europe	4.000
Omron Tateisi Elec.#◆	250	1993	4	4	100	Nomura Int.	4.000
Nippon Oil and Fats#◆	150	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Nagoya Railroad Co.#◆	200	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Credit Lyonnais◆	300	1996	7	9	101½	Credit Lyonnais	8.705
SAS◆	200	1999	10	9⅛	101¾	Morgan Stanley Int.	8.854
IFC◆	200	1996	7	8¾	101¼	CSFB	8.606
Sanwa Australia◆	50	1996	7	9⅞	101⅞	Sanwa Int.	9.496
Sumitomo Corp.#◆	1.5bn	1993	4	4	100	Daiwa Europe	4.000
Pacific Metals Co.#◆	120	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Neste Oy◆	250	1999	10	9¼	101.45	Nomura Int.	9.024
MAP Investment◆	306	1999	10	(i)	100.05	Nomura Int.	-
Den Danske Bank◆	200	1990	1	9	101	New Japan Secs.	7.921
Collateralised Bond(j)‡◆	210	2000	9½	20bp	100	Morgan Stanley Int.	-
Crediop(k)◆.	100	1990	1	9	101	Bankers Trust Int.	7.921
Eksportfinans(l)◆	50	1990	1	15	100	Bankers Trust Int.	15.000
New Zealand(n)◆	50	2000	11	9½	99.798	Morgan Stanley	9.530
AUSTRALIAN DOLLARS							
State Bank of Victoria◆	50	1994	5	15½	102	Hambros Bank	14.905
Ford Credit Australia◆	50	1994	5	15¾	101⅞	Deutsche Bk Cap.Mkts	15.188
D-MARKS							
Bulgarian For.Trade Bk◆	200	1996	7	8½	100	Bayerische Vereinsbk	8.500
Eurofima(e)‡◆	300	1999	10	-⅛	100.45	Morgan Stanley	-
LKB Baden-Wuerttemberg‡◆	300	1999	10	(q)	100.10	Trinkaus & Burkhardt	-
EIB(r)‡◆	150	2006	10.2	-15bp	100	Salomon Brothers	-
SWISS FRANCS							
Nippon L'ht Metal(c)★★§◆	200	1993	-	Zero	100	Credit Suisse	-
Wakita & Co.★★#◆	30	1994	-	1⅝	100	Swiss Volksbank	1.625
Shimano Industrial★★#	150	1994	-	(2)	100	Bqe Paribas(Suisse)	★
Kasumi Co.★★#◆	120	1994	-	2⅜	100	Handelsbank NatWest	2.375
FRENCH FRANCS							
Compagnie Bancaire(a)◆	750	1995	6	9⅛	102.05	Credit Lyonnais	8.672
Interfinance Cr.Nat.◆	750	1996	7	8⅞	101½	CCF	8.581
Olivetti Int.◆	750	1997	8	9	101⅜	Credit Lyonnais	8.754
ECUs							
C. Nat.des Autoroutes◆	150	1999	10	8¾	101¾	Paribas Limited	8.484
LIRE							
World Bank(b)‡◆	200bn	1997	8	(b)	100¾	Banco di Roma	-
GUILDERS							
Nat. Investeringsbank◆	150	1996	7	7⅜	102	CSFB-Nederland	7.004
LUXEMBOURG FRANCS							
Belgelectric Fin.(s)★★◆	600	1995	6	8	100⅝	C.d'Epargne d.l'Etat	7.865
Mitsubishi Bk Eur.(s)★★◆	600	1992	3	8	101	BIL	7.615
Cerinvest NV★★◆	300	1992	3	8	101	C.d'Epargne d.l'Etat	7.615
Pargesa Bank Corp.(t)◆	3bn	1994	5	7½	100	BIL	7.500
YEN							
Postipankki(f)◆	4bn	1993	4	7	101⅝	Fuji Int.	6.525
World Bank(g)◆	65bn	1999	10	5⅜	101⅞	Nikko Secs.	5.228
City of Copenhagen(h)‡◆	7bn	1996	7	(h)	100.10	LTCB Int.	-
Marubeni America(f)◆	10bn	1993	4	8	101⅝	Bankers Trust Int.	7.515
Okobank(m)◆	3bn	1994	5	(m)	101⅞	Mitsui Fin.Trust Int.	-
New Zealand◆	20bn	1994	5	5.4	101	Nomura Secs.	5.237
Chrysler Fin. Corp.◆	10bn	1992	3	5½	101.30	Nippon Credit Int.	5.022
State Bk Sth Australia◆	10bn	1992	2½	6½	104⅝	Nomura Int.	4.488
Credito Italiano(o)◆	5bn	1992	3	5.3	101⅜	Sumitomo Fin. Int.	-
Mitsubishi Corp.Fin.◆	10bn	1991	2	5¼	101	Nikko Secs.(Europe)	4.714
Westpac Banking(f)◆	3bn	1990	1	10	100¾	Nikko Secs.(Europe)	9.161
CCF(f)◆	5bn	1991	2	9	101⅛	Nikko Secs.(Europe)	8.366
State Bank of Victoria◆	10bn	1991	2¼	5⅜	101⅛	Daiwa Europe	4.824
BNP(p)◆	10bn	1992	3	6	101⅜	Daiwa Europe	5.490
Jets 5 Ltd.◆	14bn	1993	3¾	5.45	101⅝	Mitsubishi Fin. Int.	4.957
AUSTRIAN SCHILLINGS							
Austria, Rep. of(d)‡◆	6bn	1992/04	3/15	⅛	100	GZB-Vienna	-

★Not yet priced. ★★Private placement. #With equity warrants. §Convertible. ‡Floating rate note. ◆Final terms. a) Fungible with existing 9⅛% bond. b) First coupon 11⅞%, thereafter lower of 6-month Libid or ⅝ below Rolint(average between 3-month lira and Italian bond yields). c) Yield to put 3.208%. d) ⅛ over 3-month Vibor. Renewable at 3-year intervals from 1992. Call after July 1992. e) ⅛ under 6-month Libor. Call after 5 years at 100. f) Redemption linked to Nikkei stock index. g) Daimyo bond issue. h) Floating 6 year yen-yen swap rate bid side minus 30bp. i) Coupon indicated 3% - coupon and redemption property linked. j) 20bp over 6-month Libor. Call in June 1990. k) Additional $100m on tap. l) Redemption oil-linked. m) Coupon 5¼% for 3 months, then Japanese long-term prime rate plus 12bp. n) Launched on US domestic market. o) 5.3% first year, years 2 and 3 calculated by formula to yield 6.3%. p) Redemption linked to JGB futures. q) 6-month Libor flat. Call after 5 years at 100. r) 15bp under 6-month Libor. Call after 10 years at 100. Amount reduces by 5% after 1 year. s) Launched in two tranches of LFrs300m each. t) At redemption one bond will be redeemed by one ordinary share of Pargesa Holding. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Fundamentals belie market concern

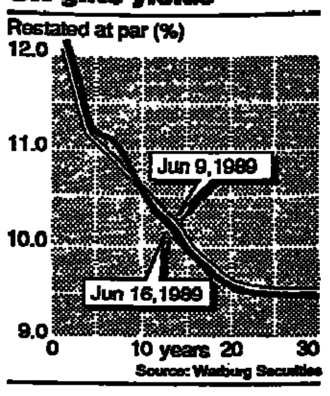
LOOKING AT the performance of the gilt-edged market from the viewpoint of one of the worst weeks for Government economic policy in recent times, it is difficult to escape the conclusion that the market is decidedly less worried than it has been led to believe by its commentators.

In spite of the hype surrounding Prof Alan Walters' City lunches (does he like his fillet medium rare or well done?) there were signs that the value of the pound was beginning to stabilise last week. Operators in sterling markets, from the very short to very long, began to move from a bear position to a more neutral one. This may be a consolidation before another assault on sterling, but then again it may not.

Glancing at the yield curve (right) it is hard to see what all last week's fuss was about: prices for longer-dated gilts actually rose on the week while shorts took the strain of more immediate concerns. The talk of the split between Mr Lawson, the Chancellor, and Mrs Thatcher was insufficient in itself to override a fairly substantial shift out of US Treasury bonds into the long end of the gilt market on Thursday. It was also insufficient to deter reasonably solid support at the short end.

Near current levels the pound seems well supported by three factors: real short-term interest rates in the UK are very high relative to the US, Japan and West Germany; there appears to have been a significant change at the West German Bundesbank in respect of the US dollar and a rise in German interest rates may be deferred until late in the summer, hence preserving European interest rate differentials for the time being; and the pound is downright cheap on nominal or real interest rate grounds.

UK gilts yields



Source: Warburg Securities

The longer the authorities can hold the line on 14 per cent interest rates the less becomes the need for the market to contemplate higher rates.

But if the fundamentals tilt in sterling's favour this does not mean that sterling cannot falter again; the fundamentals have, after all, been in the pound's favour for some time. Analysis does not take account of any further disruptions from Westminster, which has done much to undermine confidence in sterling over the past fortnight, or a severe market reaction to last week's European Parliament elections.

The Tories failure in Europe – difficult to disentangle from a generalised disaffection with Mrs Thatcher's attitude both to Europe in general and specific domestic policies, such as water privatisation, in particular, and a Gorbachev-inspired move towards the left in European public opinion – could send the pound lower.

The Madrid Summit on June 26 and 27 will consider the Delors report on economic and monetary union, among other things. Mrs Thatcher is rarely in the giving vein on matters European and even less so on exchange rate management, as Mr Lawson found out to his cost last week. What she has to say about the European Monetary System, especially in the wake of Spain's decision to take the peseta into the exchange rate mechanism today, will have more import than usual. In any event, DM3.04 and DM3 are seen as strong support levels for the pound.

Had it not been for the reappearance of the Thatcher/Lawson exchange-rate policy rift the market may well have done a lot better than it did.

The indicators released were neutral to positive for the market. Producer prices, average earnings, unit labour costs and retail prices all came in at or better than market expectations, giving encouragement to the view that the level from which inflationary pressures will rise later in the year may be lower than first thought.

An erratic monthly rise in retail sales did not convince many that the slowdown in consumer demand is abating. But the quicker pace of retail sales might be reflected tomorrow in an up-tick in the annual rate of growth of M0, when figures for May show its annual rate growing above 6 per cent.

That, however, ought to be seen against what is happening to the broad measures of consumer credit.

As Prof Alan Budd of Barclays Bank pointed out over the weekend, the growth of consumer credit has clearly passed its peak; mortgage advances are slowing significantly and credit card lending is growing quite slowly.

If that represents the benign outlook for the market then analysts at Chase have an alternative doomsday scenario.

Their manipulation of the Treasury model indicates that 18 per cent base rates will be needed if the Government is to reach 5 per cent inflation by 1992. That is by no means a consensus view, but it presents a particularly bearish analysis of the economy based on its reading of the labour market and the Government's acquiescence to a near 8 per cent devaluation since the beginning of the year.

Simon Holberton

US MONEY AND CREDIT

Optimists undeterred by dollar fall

SHRUGGING off last Thursday's rout of the dollar and bonds as a one-day wonder, all but the rarest contrarian believes there is still strength, perhaps even further gains, in the two markets.

They argue that the fundamentals behind the dollar's rapid ascent since early May remain intact and will continue to support the bond market. Yields have clearly fallen below levels justified by near-term economic conditions but, they argue, slower growth and less inflation are coming.

The scenario starts to lose believers when it strays into questions of growth and inflation. Economic data indicate that neither is abating substantially.

A vocal minority of analysts say that the Federal Reserve's recent easing of monetary policy will prime a rebound in economic activity and prices later in the year. But even they concede that bonds will hold up fairly well as long as they remain in the thrall of the dollar and the dollar continues to hold its ground.

So what went wrong on Thursday? It was a "classic day of market panic," Griggs & Santow, money market analysts, said. "It was not intervention or news that pushed the dollar down but rather an overwhelmingly one-sided market that had to return to some form of equilibrium."

People rushed for the exits, heading not for some other currency but to the bank with their profits from the dollar's rise of 13 per cent against the yen and 8 per cent against the D-Mark since May 10.

The trading day started on a high note outside the US with the dollar hitting peaks unseen for several years of Y151.85 and DM2.0475. But early during the New York morning news of a further small drop in the US trade deficit was accompanied by warnings from Mr Robert Mosbacher, US Commerce Secretary, that the strong dollar could hinder further improvement.

Dollar holders took the excuse to sell to lock in some profits. The trouble was too many people had the same idea and the dollar tumbled. Seeing the currency teeter, central banks gave it a mighty poke, stepping up intervention as rumours abounded.

Two in particular frightened the market – the Bank of Japan was ready to spend $1bn a day to drive down the dollar and Japanese authorities had told their big financial institutions to pull back on their purchases of dollar-denominated securities.

On one hand private-sector Japanese institutions bought about $30bn of US fixed-income securities during April and May, compared with a monthly average of $7.1bn last year. On the other, central banks are unloading such instruments to raise dollars for intervention.

The Federal Reserve has sold on behalf of other central banks about $5.5bn of securities in the past four weeks. Mr Philip Braverman, chief economist of Irving Securities, estimated it was selling $1bn a day last Thursday and Friday alone.

Buckling under such pressures the dollar fell Y6, or some 3.7 per cent, and by more than five pfennigs. Yet it came back to fight another day on Friday, holding up much better against intervention until slipping slightly late in the New York day.

Commentators were quick to rush to its aid. S.G. Warburg's New York economists said over the weekend: "The fundamental trend in the dollar is up although profit-taking and concerted intervention is, for now, holding the currency down."

Having ridden the rising dollar for more than a month, bonds were inevitably dragged down by its subsequent fall. The yield of the Treasury benchmark long bond, for example, edged down from 8.14 per cent a week ago on Friday to just above 8 per cent last Thursday. The correction pushed it up to 8.30 per cent by the end of Friday.

Smith Barney, Harris Upham said that investors' genuine shift in interest into US securities since early May meant many of them "may view the bond market correction as a longer-term buying opportunity in anticipation of continued sluggish economic activity and declining inflation."

Such sustained interest would greatly suit corporate treasurers. In the week up to last Thursday they had issued $3.5bn of new US corporate bonds. Wednesday alone saw $1bn, the biggest daily dose in almost two years.

Some rare 40-year non-callable bonds from Hydro Quebec were eagerly snapped up by investors. Other companies had been too slow off the mark and would welcome another shot at cheaper money.

Will they get their chance? The bond market may co-operate, especially since it continues to pay scant attention to economic news, keeping its focus fixed instead on the dollar.

The news was not altogether positive last week. Although the latest monthly figures for some measures such as external trade were acceptable, previous months were revised up in a number of cases. In addition the consumer price index rose 0.6 per cent in May, a fraction more than expected.

Only a couple of weeks ago many forecasters were saying gross national product was growing at an annual rate of just over 2 per cent in the second quarter and the GNP price deflator was less than 5 per cent. Now they are saying the rates are nearer 3 per cent and more than 5 per cent respectively.

Griggs and Santow observed: "This is hardly the material recessions and little inflationary pressure are made of. One might wonder whether the Fed sees the economy and inflation in a somewhat stronger light than it did two weeks ago, when it eased policy by the marginal amount."

The next glimpse of the economic view from within the Fed comes on Wednesday with the publication of the Tan Book, the briefing prepared by reserve banks around the country for the Fed's policy making Open Market Committee.

The FMOC next meets on July 5 and 6 but given current economic conditions it is unlikely to ease beyond its recent quarter point reduction in its Fed funds' target range to 9½-9⅝ per cent. It is certainly unlikely to take any action until it has seen the June employment data and purchasing managers' report the following week.

The bond market can continue to trade at yields too low for current Fed policy and economic conditions as long as it remains hitched to the dollar.

But as Griggs and Santow, among the more bearish analysts at the moment, believe: "The dollar has begun to show serious weakness and if it continues to do so, the bond market could be in real trouble."

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.19	9.13	9.63	9.89	6.27
Three-month Treasury bills	8.40	8.46	8.63	9.34	6.48
Six-month Treasury bills	8.39	8.28	8.85	9.59	6.91
Three-month prime CDs	9.30	9.10	9.55	10.12	6.77
30-day Commercial Paper	9.25	9.25	9.45	9.81	6.65
90-day Commercial Paper	9.00	8.95	9.33	9.82	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	105¼	-1⅛	8.37	8.15	8.72
20-year Treasury	108⅜	-1⅝	8.38	8.16	8.73
30-year Treasury	106¼	-1⅜	8.30	8.14	8.70

Money supply: In week ended June 5 M1 rose $2.3bn to $776bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 15/6/89	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	147.43	5.29	148.14	147.75	148.40
Government Bonds	147.27	5.12	148.27	148.03	149.75
Municipal Bonds	149.44	5.46	150.06	149.56	149.98
Govt.-guaranteed Bonds	150.61	5.50	151.11	150.63	150.92
Bank Debentures	141.37	5.31	141.87	141.59	141.39
Corporate Bonds	150.37	5.51	150.50	148.29	147.41
Yen-denom. Foreign Bonds	155.34	6.08	155.26	153.53	150.49
Government 10-year†	5.19	—	5.06	4.92	4.78

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AHFC O/S FIN. 11¼ 94	100	103¼	−¼	10.82
ALBERTA PROVINCE 7¾ 91	750	96¼	−⅛	9.17
ALBERTA PROVINCE 9¾ 95	600	101¼	−¼	8.97
ALCOA AUSTRALIA 11 92	80	101¼	+⅛	10.46
AMERICAN GENERAL 9¾ 95	100	102¼	−¼	9.18
AUSTRALIA 11¼ 90	100	101¾	−⅛	9.63
AUSTRALIA 11¼ 00	100	107⅛	−¼	10.07
AUSTRIA 7¾ 97	200	92¾	−¼	9.06
[illegible]				
QUEBEC PROV 13 90	150	103¼	0	9.86
QUEENSLAND GOVT 11¼ 89	100	100½	−⅛	9.98
RALSTON PURINA 11¾ 95	150	106¼	−⅛	10.19
REYNOLDS R.J. 10¼ 93	100	96½	−⅛	11.29
RICHARDSON-VICKS 11¼ 93	125	103	0	10.56
ROCKWELL INT 9⅞ 90	200	100⅛	−⅛	9.74
S.A.S. 10¼ 95	150	103½	−⅛	9.35
SARA LEE 9¾ 93	150	99	−⅛	9.65
SASKATCHEWAN 7 90	125	96¼	+⅛	9.59
SASKATCHEWAN 8½ 91	150	98¼	0	9.56
[illegible]				
PEPSICO CAPITAL 8¾ 91	100	97¾	−⅛	9.69
PETRO-CANADA 7¼ 96	200	90⅞	−⅛	9.08
PHILIP MORRIS 9¾ 98	200	101¼	−⅛	9.64
POSTIPANKKI 11¼ 90	75	100¾	+⅛	9.92
PROCTER & GAMBLE 10 95	150	101¼	−½	9.59
PRU RLTY SECS. 0 99	365	43¾	−¼	9.05
QANTAS AIRWAYS 8¾ 96	97	96⅞	−⅛	9.24

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¼ 93	20.0BN	102⅞	−⅛	5.84
AUSTRIA 4⅝ 94	30.0BN	97⅛	−⅛	5.48
AVON CAPITAL 6⅝ 91	26.0BN	100	0	6.73
BARCLAYS O/S INV 6 96	40.0BN	102⅛	−⅛	5.51
B F.C.E. 5¾ 96	20.0BN	101¼	−⅛	5.44
[illegible]				

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
[illegible]				
NIPPON ELECTRIC 2⅝ 00	150	240	−3½	−2.45
NISHI NIPPON 2⅞ 03	70	107½	−4	−3.94
PIONEER CONCRETE 9½ 98 AS	175	86¼	0	26.65
ROCKEFELLER CENTER 0 00	952	32¼	−⅛	−64.10
SANWA BANK 1¼ 02	300	90¾	−3⅛	−2.36
SOUTHWEST AIRLINES 6¾ 98	35	93	+⅛	39.59
TEXACO CAPITAL 11¾ 94	500	106	−⅛	8.44

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 16

German futures plan clears new hurdle

By Haig Simonian in Frankfurt

THE Deutsche Terminbörse (DTB), West Germany's new financial futures and options exchange, is set to start trading on January 26 next year following the successful third reading of a bill amending the country's stock exchange law.

The legislation changes the status of futures contracts with private investors to make them legally binding, provided investors are adequately informed of risks involved in futures and options trading.

Under existing rules futures contracts are regarded as gambling debts, which are not legally enforceable. The bill's successful passage, which still has to be approved by the Bundesrat, the upper house of the German parliament, marks a big step forward for the DTB.

The exchange, due to open business with equity options on 14 German blue chip shares followed by an equity index futures contract and a government bond future, will fill an important gap in German financial market services.

In the same sitting, the Bundestag gave the green light to the partial privatisation from October of Deutsche Siedlungs-und Landesrentenbank (DSL). This will begin with the transfer of 48 per cent of the shares in DSL to a new holding company, which will then be floated by a consortium to be led by Dresdner Bank.

DSL, which used to concentrate solely on agricultural lending and restructuring finance, has become a universal bank in all but name, with assets of DM44.6bn ($22bn).

Baltica pre-tax falls

BALTICA HOLDING, the Danish insurance and finance group, reported a fall in first-quarter pre-tax profits to DKr153m ($19.7m) from DKr378m because of a swing in capital gains to a negative DKr27m from a positive DKr260m, Our Financial Staff writes.

But operating profit rose from DKr118m to DKr180m, and for 1989 is expected to exceed last year's DKr559m.

Spanish banks shake off dissidents

By Tom Burns in Madrid

BANCO CENTRAL and Banco Espanol de Credito (Banesto), the second and third-ranked Spanish banks which called off their proposed merger earlier this year, succeeded in ridding themselves of dissident board members over the weekend and had their 1988 results approved at their respective annual shareholder meetings.

Bitter power struggles had marked the run-up to the meetings and both Mr Alfonso Escamez, Central's veteran chairman, and the youthful Mr Mario Conde, who has been running Banesto since December 1987, had been openly criticised for their management practices.

In the event the two chairman reasserted control over their respective banks and emerged relatively unscathed from the costly and embarrassing failure of the merger process.

Banco Central reported a Pta31.6bn ($246m) after-tax profit and split the sum equally between reserves and a dividend payout of Pta175 per share. Banesto put Pta13.6bn of its Pta28.2bn after-tax profits aside for reserves and also paid Pta175 a share.

Mr Escamez told shareholders he had accepted the resignation of the five members on the bank's board representing Cartera Central, an investment company that is the bank's largest single shareholder. He offered to help Cartera Central place on the market its 12.5 per cent stake in the bank

The five, who include the "Albertos" – real estate tycoons Mr Alberto Alcover and Mr Alberto Cortina who founded Cartera Central – had announced their resignation at the end of last week on the grounds that Mr Escamez was withholding information from them. Mr Escamez said the real reason for their departure was his refusal to increase the number of Cartera Central nominees on the bank's board.

However Cartera Central said it did not intend to sell its stock in the bank and that it had delivered a report to the Bank of Spain detailing the company's objections to Mr Escamez's chairmanship.

At Banesto, shareholders approved the resignation of Mr Jacobo Arguelles, one of the last remaining members of the so-called "Banesto families," the tightly-knit group of shareholders who had controlled the destiny of the bank for generations.

Like Cartera Central, Mr Arguelles said he had lodged a detailed and critical report on Banesto with the Bank of Spain.

Mr Conde, for good measure, obtained the green light for the creation of an industrial holding company which will bring together the tentacled spread of the bank's investments. The bank has a controlling interest in about 700 Spanish companies and the net worth of such a holding would be in the region of Pta400bn.

The industrial holding has been a cherished dream of Mr Conde, whose background is in business and not banking, since he took over the Banesto reins. Mr Conde told the meeting that Banesto would initially hold as much as 75 per cent of the equity in such a holding and that he would seek to reduce this to 50 per cent.

Eastern to sell hub and aircraft

By Karen Zagor in New York

EASTERN Air Lines, the bankrupt US carrier, is to sell its Philadelphia hub and 16 aircraft for $206.5m to Midway Airlines.

The deal includes the sale of 16 DC 9-30 aircraft, Eastern's passenger terminal and cargo leasehold rights at Philadelphia International Airport, a pair of slots at Washington National Airport and another pair of slots at New York's La Guardia Airport.

Midway will also acquire the Eastern routes linking Philadelphia with Toronto and Montreal.

Midway, a small Chicago-based airline which has grown rapidly since 1987, will sublet the Philadelphia facilities to Eastern until alternatives are found.

A previous agreement to sell eight of the 10 Philadelphia gates and the two Canadian routes to USAir for $85m foundered after the US Justice Department said it would block the sale on the grounds that it would give USAir a virtual monopoly at the Philadelphia airport.

Eastern, which was the seventh largest US airline before a strike last year led to bankruptcy, has been steadily selling off assets.

It aims to rebuild itself from next month as a smaller, viable airline.

Food unit slows John Labatt

THE FOOD products subsidiary continued to drag profits lower at John Labatt, one of Canada's two largest brewers, both in the fourth quarter ended April 30 and the full year, Robert Gibbens writes from Montreal.

However, both brewing and communications did much better in the final quarter. Overall net earnings were C$37.5m (US$31.5m) or 42 cents a share against C$35.4m or 42 cents on fewer shares outstanding a year earlier. Sales were C$1.3bn against C$1.24bn.

For the full year earnings were C$135.1m or C$1.60 a share against C$140.6m or C$1.68 a year earlier. Sales were C$5.4bn against C$5.1bn.

Esab boosts US profile with purchase of L-Tec

By Robert Taylor in Stockholm

ESAB, the world's leading welding equipment manufacturer, has acquired L-Tec of the US in a deal that will increase the Swedish group's annual sales by as much as 25 per cent.

The US concern, with its head office in Florence, South Carolina, manufactures and sells a wide range of welding and cutting equipment on the North American market.

Last year L-Tec had sales of SKr1.2bn ($180m). This compares with Esab's turnover of SKr4.7bn, three quarters of which derives from its sales in western Europe.

The purchase strengthens Esab in the US, making it among the biggest companies in the welding sector there. The Gothenburg-based company will also reinforce its position in western Europe, where L-Tec is well established.

Mr Bengt Eskilson, Esab's chief executive, would not disclose the price of the purchase but said it would have no effect on the group's profitability this year.

The deal is conditional on acceptance by the authorities in the US.

Fears grow over Ercan bankruptcy

By Jim Bodgener in Ankara

CONCERN is growing among Turkish bankers and businessmen over the fall-out from the bankruptcy announced on Wednesday by Ercan Holding, parent of one of the country's leading industrial conglomerates. Of particular concern is the exposure of its joint venture, MAN Bus and Truck.

Ercan collapsed under the weight of end-1988 debts totalling TL122bn (about $61m) owed to more than 20 local banks. High interest rates in an inflationary environment have been blamed for the demise by some commentators.

However, banking sources say a prime source of Ercan's difficulties was an investment in a heavy-engine facility outside Ankara in the eventually mistaken anticipation of receiving a large share of a $1bn armoured combat vehicle project. The contract eventually went elsewhere.

MAN, the West German partner in MAN Bus and Truck, is not thought to be at risk. However, the joint venture itself may be vulnerable because of counter-guarantees given to Turkish banks in the past for Ercan's borrowing needs.

Japanese components group links with Valeo

By Paul Betts in Paris

VALEO, the French car components group under the management control of Mr Carlo De Benedetti, has teamed up with Nippondenso, the largest Japanese car components company, in a joint venture in Spain to produce components for electronic ignition systems.

The link with Nippondenso is the latest in a series of international joint ventures and acquisitions undertaken by Mr Noel Goutard, Valeo's chairman, to boost the French group's international competitiveness.

The latest deal will involve the setting up of a new company called VND, equally held by the French and Japanese groups and with a capital of Pta1.57bn ($12.2m). VND will build a plant at Bages, north-west of Barcelona, to produce, from 1991, components for electronic ignition systems. The plant will initially employ about 120 people.

The ignition components will be supplied to car manufacturers in Europe, particularly to Ford and the Peugeot-Citroën group but eventually to other European-based car producers.

Court approves Robins reshape

By Roderick Oram in New York

A FEDERAL bankruptcy court has approved the reorganisation of A.H. Robins, including the creation of a $2.5bn fund to compensate women injured by the Dalkon shield birth control device.

The company, based in Richmond, Virginia, was forced to seek bankruptcy court protection nearly four years ago because of claims from shield users and its creditors.

Robins, which is managing to pay its creditors in full, lost its independence during the court fights. The pharmaceuticals group will become a subsidiary of American Home Products through a $700m stock swap.

Scaniadam suspends creditors' payments

By Hilary Barnes in Copenhagen

SCANIADAM, Denmark's biggest Ford car dealer, has suspended payments to creditors while attempts to arrange a financial reconstruction of the company is made.

Scaniadam is one of many victims of the steep decline in car sales in Denmark over the past couple of years. Since 1986 new car registrations have almost halved, from 169,500 to 88,800 last year.

This year has seen the downturn steepen with new registrations for the first five months running at just 38,420, compared with 44,000 in the same period last year and 86,300 for the opening five months of 1986.

Scaniadam is a privately-owned family business. In 1988 it ran up a loss of DKr4.6m ($594,000) on turnover of DKr225m.

The Ford dealers operate independently of the importer, Ford Motor, which says it is not prepared to offer financial assistance to Scaniadam or other Ford dealers that get into financial difficulties.

The decline in car sales is mostly the result of the very tight credit restrictions introduced in Denmark in late 1986. No recovery is in sight.

Dealers say they will be surprised if total new car sales this year exceed 80,000.

Strength of dollar helps Ahold advance to Fl 47m

AHOLD, the Dutch retail foods group, has reported a 23.7 per cent jump in net profit for the first 16 weeks of 1989 to Fl 47.4m ($21.2m) from Fl 38.3m a year earlier. Earnings per share advanced to Fl 2.29 from Fl 1.85, AP-DJ reports.

Ahold said its overall sales and earnings were buoyed by currency translation gains resulting from the sharp appreciation of the dollar against the guilder over the past 12 months.

Worldwide sales gained 21.4 per cent to Fl 5.2bn in the latest, reporting period, from Fl 4.2bn a year earlier. Supermarket and retail liquor store operations helped the company lift domestic sales by 8.4 per cent from a year earlier to Fl 2.69bn. The acquisition of two big liquor store chains was a contributing factor.

In the US, where the company operates food store groups such as Giant Foods and Bi-Lo, Ahold saw sales in local currency terms rise 24.6 per cent to $1.2bn from $959m.

The company attributed much of the increase to the acquisition of an 80 per cent shareholding in FNS Holding, the holding company for the Finast, Edwards and Pick-n-Pay food-store chains.

Ahold noted, however, that its operating profit in the US was little changed in the first 16 weeks of this year compared with the same period of 1988 due to unspecified write-offs, start-up costs and expansion outlays.

Worldwide, Ahold's pre-tax operating profit rose 31.5 per cent to Fl 90m in the first four months of the year on the strength of retailing business in the Netherlands.

Honeywell to axe staff

HONEYWELL, the US electronics group, is to eliminate about 300 corporate staff positions at its Minneapolis headquarters as part of ongoing efforts to cut costs and to focus on its core businesses, Reuter reports.

Honeywell said most of the staff reductions would be layoffs, although some positions would be eliminated through early retirements and a hiring freeze. Supervisers would notify employees to be affected on June 26, and any layoffs would take place after August 1.

The company said the move was motivated by its commitment to improve financial performance.

UK COMPANY NEWS

BICC sells bulk of BRIntec connectors side for $62.5m

By David Waller

BICC, the cables and construction group, has sold off the bulk of the connectors businesses it acquired as part of its recently announced $177m purchase of BRIntec Corporation, a US cable company.

BICC has sold these businesses to LPL Investment, the parent company of the Amphenol connectors company, for $62.5m (£40.5m) against a book value of $47.5m.

The businesses had turnover of some $100m last year but made little profit, BICC said.

The disposal – flagged when BICC launched its tender offer for BRIntec a month ago – brings the purchase price down to $114.5m. Pre-tax profits for BRIntec as a whole were $9.2m last year.

BICC also announced on Friday that it had received 91 per cent acceptances for its tender offer, and thus declared it unconditional.

The strategy now is rationalise and develop BRIntec's core cable businesses which trade under the Brand-Rex name in the UK and the US.

There are still some connector businesses left in BRIntec, with turnover of some $30m. These have yet to be sold and, according to BICC, should bring in "some millions".

Trimoco buys stake in Cowie

TRIMOCO, the Luton-based motor group, has bought a 0.96 per cent stake in T.Cowie, the vehicle distributor and contract hire group.

Cowie held a 9.9 per cent stake in Trimoco until December 1988, when it sold its holding to the Saudi Arabian Jameel family.

Trimoco built up the stake between May 31 and June 7, buying 1.25m shares for £1.73m. Mr Duncan Naughten, Trimoco director, said the purchase was an investment.

United Guarantee £3m in red

By Clay Harris

UNITED GUARANTEE, the distribution, heating engineering and energy group, dropped dramatically into the red last year, reporting a pre-tax loss of £3.02m against a profit of £152,000 in 1987.

UG, one of the last listed companies to report its results for calendar 1988, gave them to the Stock Exchange shortly before 6pm on Friday, after its shares had closed ½p lower at 17¼p.

The loss included exceptional charges totalling £1.37m. This included £670,000 relating to bad debts and stock provisions, a loss involved in the group's contract to supply heating to Standard Life, a £144,000 payment to terminate a US management contract and a provision of £203,000 to reflect the lack of marketability of certain quoted investments.

The trading position of the tool distribution business had not improved as forecast in September, the company said, producing a retained loss of £1.6m. Adena, a US oil and gas production group bought early last year, lost £600,000.

Mr Peter Stringer, group managing director since April, acknowledged that the results were disappointing and told shareholders: "You should also be aware of the seriousness of the problems and that they are not as yet all solved." However, signs of improvement were beginning to materialise.

Turnover rose to £16.77m (£9.35m). A loss per share of 6.98p compared with earnings of 0.28p in 1987. Disposal of a stake in DRX, a US-based gold and precious metals investment group, produced an extraordinary profit of £234,000.

Grainger Trust up 32% midway

GRAINGER TRUST, property trading and investment company, lifted midway profits by 32 per cent. Difficult sales conditions in the south were being balanced by buoyancy in the north.

In the six months ended March 31 1989 pre-tax profit rose to £4.16m (£3.15m). With earnings at 13.6p (11.4p) the interim dividend is increased to 1.2p (0.9375p).

Gross rental income came to £4.52m (£2.96m) and interest charges jumped to £7.2m (£3m).

Fobel incurs £0.18m loss and omits final dividend

DESPITE A confident forecast at the half year stage when pre-tax profits rose 40 per cent to £668,002, Fobel International, distributor and manufacturer of electrical goods, suffered losses of £849,386 in the second half, leaving losses for 1988 of £181,384, against £2.67m profit previously.

Mr Alan Leboff, chairman, said the problems, which were quite unconnected, would not recur. The shortage of memory chips that affected many electronics companies prevented the electronics division from fulfilling important orders.

Severe price competition hit the Canadian door associate, while in the UK one subsidiary had a serious fire and another incurred a substantial loss as a result of a change in legislation.

No final dividend is proposed, leaving the total for the year at 0.65p (1.5p). Losses per 10p share worked through at 2.8p (11.7p). There was an extraordinary credit of £135,796 (£1.56m debit).

Mr Leboff said that while the first half of the current year would be affected by the aftermath of 1988's problems, he expected the company to show a return to substantial profitability and to the dividend list for the year as a whole.

BPP in £17m share issue

BPP HOLDINGS, the financial training group, is making a £16.8m share issue which will nearly double its capital.

Of this, £8.6m will be raised via a vendor placing to make the first payment for Linguarama, the language school group it is buying from Summer International.

The £7.5m balance of the cash, after expenses, will be used in part to pay off £1.3m of debt owed by Linguarama to Summer. The remainder will be used to buy Markus, Verbeek, the Dutch accountancy tutor for which BPP is paying Dfl14.5m (£1.26m) and to finance further expansion, both in continental Europe and the UK.

A total of 4.49m shares will be issued, all of which have been conditionally placed by Kleinwort Benson Securities at 375p, against a closing price of 395p on Thursday.

Existing shareholders will be entitled to subscribe for the new shares at the same price on the basis of 21 new shares for 25 already held.

The Linguarama deal was first announced in May. The total consideration has recently been revised upwards to a maximum of £20.03m if Linguarama's pre-tax profits exceed £2.25m in 1990; Summer has warranted that Linguarama's pre-tax profits will not be less than £1.13m in the current year.

Craig & Rose slips to £148,000

Craig & Rose, Edinburgh-based paint manufacturer, saw taxable profits fall by 5 per cent in the second six months leaving it £4,000 down at £148,000 for the year ended December 31.

The result was achieved on turnover 8 per cent higher at £5.04m (£4.67m). After a higher tax charge of £53,000 (£29,000) earnings per share came out at 22.75p (29.75p). However, the directors are recommending an increased final dividend of 11.25p (10.75p) giving a total for the year of 13.25p (12.75p).

Strata Investments net assets rise

Strata Investments saw net revenue decrease from £49,000 to £30,000 in the six months to April 30, with earnings down from 0.32p to 0.2p. Net assets per share, assuming full conversion of warrants, rose to 161.4p (137.5p).

In a breakdown of revenue: income from investments was £155,000 (£165,000); interest on short-term deposits £42,000 (£38,000); and other income £5,000 (£2,000). Management fees were up at £138,000 (£113,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Crest Nicholson, Moorfield Estates.
Finals- BET, Bulmer (HP), Cassidy Bros, City Gate Estates, Erskine House, Europeall Colour, Hambros, Hewetson, Hobson, ML Holdings, Melville Street Invs, Reject Shop, Renold, Sterling Publishing, TR Technology.

FUTURE DATES

Interims-

British Telecom	Aug. 17
Clyde Blowers	June 27
Eldridge Pope	June 23
Union Discount Co of Lon	July 12

Finals-

BTP	June 29
Dunlop Plantations	June 30
Greene King	June 30
Tilling (Thomas)	June 30

FINANCIAL TIMES STOCK INDICES

	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.61	84.02	83.75	83.91	84.43	84.80	89.29	83.75	127.4	49.18
Fixed Interest	95.68	95.48	95.22	95.21	95.41	95.42	99.59	95.21	105.4	50.53
Ordinary	1771.8	1758.9	1762.9	1756.0	1770.4	1775.7	1837.5	1447.8	1926.2	49.4
Gold Mines	182.4	183.7	184.4	183.1	182.6	189.5	196.1	154.7	734.7	43.5
FT-Act All Share	1098.73	1092.63	1094.50	1090.77	1098.86	1101.84	1131.41	921.22	1238.57	61.92
FT-SE 100	2143.9	2129.6	2133.6	2123.0	2138.3	2142.1	2204.7	1782.8	2443.4	986.9

UK COMPANY NEWS

Setback for Edelman in battle for Storehouse

By David Waller

Mr ASHER EDELMAN, the US arbitrageur now based in Europe, has suffered a setback over his tactics in his cat-and-mouse battle with Storehouse, the UK stores group in which he has accumulated an 8.1 per cent.

The Takeover Panel, the City of London watchdog on mergers and acquisitions, ruled on Friday last week that Mr Edelman must convert his "provisional" bid for the stores group into a full bid within a specific, but as yet undisclosed period.

Otherwise Mr Edelman will find himself bound by Rule 35 of the Takeover Code which would prevent him from launching a full bid within the next 12 months. The deadline for action is thought to be between two and four weeks of last Friday's hearing, but nobody was prepared to comment yesterday.

Mr Edelman and his financial advisors, Barclays de Zoete Wedd, intend to appeal against the ruling at a full meeting of the Panel executive scheduled for Thursday this week.

Mr Edelman made a £755m offer for Storehouse earlier this month, but it was subject to several conditions including the recommendation of the Storehouse board and a requirement that Mr Edelman has succeeded in raising the finance for a full takeover.

This offer, as with all Mr Edelman's communications with the stores group since he was first revealed as a shareholder in December 1988, met with derision from the Storehouse board.

Mr Michael Julien, chief executive, challenged Mr Edelman to "put up or shut up" and refused – as he has all along – to countenance a meeting between the US investor and the Storehouse board.

At the beginning of the month, Storehouse announced a collapse in pre-tax profits from £115m in 1987-88 to £11.8m after exceptional restructuring costs of £49.4m.

Sherwood to unveil plans within month

By David Waller

Mr JAMES SHERWOOD, president and founder of Sea Containers, is planning to unveil detailed proposals on the future of the Bermuda-registered containers and ferry group within a month, he said yesterday.

Mr Sherwood intends to organise either a capital restructuring or a leveraged buyout for the group, which is facing an unwelcome $824m (£530m) break-up bid from Tiphook, a UK container rental group, and Stena, a private Swedish ferry operator.

The plans would yield a value of between $70 and $100 per share, Mr Sherwood claimed, compared to the $50 per share offer value and a price of $66 in the market.

If the capital restructuring were the preferred route, shareholders could expect a cash payout from the proceeds of the sale of assets such as the company's container fleet.

Mr Sherwood said that talks were well underway with numerous potential buyers for parts of the business, but declined to be more specific.

In a separate development, Sea Containers has made a submission to the UK Department of Transport over the suitability of Stena as a possible owner of Sealink, the ferries concern in which the Government has a "golden" share.

Mr Sherwood said yesterday that it had taken the bid to alert investors to the potential worth of a business such as his – and acknowledged that his own plans were prompted by the bid.

Feedback falls to £263,000

FEEDBACK, the USM-quoted electronic equipment manufacturer, reported pre-tax profits more than halved in the year to March 31. From £553,000, profits fell to £263,000 and this result was struck on turnover increased from £8.73m to £9.11m.

At the interim stage the directors had been confident that the full year's outcome would match the previous year's. This was despite a virtual halving of taxable profits at half-time. The fall in the year was described as "disappointing"; the company, however, pointed to the order book which stands at £9.87m, an increase over last year.

The trading results at Feedback Instruments reached break even in the period and were in line with the interim statement. However, provisions against two large outstanding debts in Egypt moved the subsidiary into losses.

At Feedback Data, profits were less than last year on similar turnover. The company explained that this was mainly due to the pattern of orders that resulted in a year-end with a large quantity of nearly completed goods on which the potential profit could not be realised.

The reorganisation of Feedback Incorporated into a marketing and distribution company had been completed in the period, and had resulted in a return to profitability and a meeting of budget objectives.

There was an extraordinary charge of £45,500 (nil) and group earnings were down to 1.7p (4.63p) per share. There is no dividend for the year, against the previous total of 2.5p.

Hoskins Brwy up sharply to £445,000

Hoskins Brewery, the Leicester-based brewing and leisure company which joined the Third Market in February, has seen its pre-tax profits soar from £75,000 to £445,000 in the year to March 31. Turnover rose from £1.49m to £1.63m.

The company said that the year had been one of restructuring and transition. The Ardencote Hotel and Country Club was sold in January for £1.63m. This reduced gearing to 9 per cent. The refurbishment of the 11 public houses has now been completed, it added.

Distribution costs were down £20,000 at £566,000, while administration expenses rose to £258,000 (£186,000).

The tax charge was £3,000 (credit £3,000), leaving earnings up at 8.92p (1.65p) per share. There was an extraordinary debit of £23,000 (nil) relating to the cost of the Third Market listing.

Mr Barrie Hoar, chairman, said that the company was now in a position of financial strength. It could now therefore benefit from the Monopolies and Mergers Commission's report on the brewing industry, he suggested.

Lower costs help Hawtin rise to £0.54m

A combination of lower distribution, administration and interest costs enabled Hawtin to lift its profits from £473,000 to £540,000 at the pre-tax level for the six months ended March 31.

Turnover was marginally lower at £11.28m compared with £11.98m.

Earnings worked through at 0.57p (0.49p) after tax of £188,000 (£166,000). Below the line there was an extraordinary credit this time of £408,000 (nil).

The company's interests include the manufacture of knitted fabrics and neoprene products, the distribution of building products and chemists' sundries, marketing and design and property dealing and investment.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Abtrust New Dawn Inv. Trust (Ord. & Warrants) (Section: Investment Trusts).

Mid East Holdings Warrants (Industrials).

Xtra-Vision (Leisure).

Habit Precision back in black

Following the closure of Crosby Disks, its computer substrates division, Habit Precision Engineering returned to profits in the six months to the end of March.

On turnover up 36 per cent at £10.98m (£8.05m) pre-tax profits were £580,000 against losses last time of £374,000. Last year's figure included a loss of £742,000 at Crosby, which was closed in the period under review.

Earnings per share were 2.71p (2.17p losses) but after passing the final last year Habit is not paying an interim. Last year there was an interim of 0.8p.

Creighton profit warning

By Clare Pearson

CREIGHTON Laboratories, the USM-quoted natural beauty products manufacturer, has warned that diminished demand from an important US customer will have an adverse effect on profits for the year to March 31.

The announcement was made on Friday too late to affect the shares, which closed 2p up at 430p. Mr Richard Collard, chairman, was not available for comment at the company's Sussex headquarters.

Creighton's profits have grown rapidly since it joined the USM in 1986 on the back of the boom in natural beauty products. Two major retailers, Body Shop and Crabtree and Evelyn, have accounted for the vast majority of its sales.

At the interim stage, it reported pre-tax profits sharply higher at £746,000, against £341,000. Last September it raised £3.1m through a one-for-four rights issue at 350p. This followed a rapid rise in its share price during the summer. In Friday's announcement, Creighton said it was confident that in view of its international reputation it would be able to capitalise on all new opportunities in the natural toiletries market.

Problems of the Abbey habit

Clare Pearson on the building society's flotation

THE 5.6m savers, borrowers and employees who are eligible for shares in Abbey National's £1.7bn stock market flotation must make up the biggest exclusive club in the world.

Not surprisingly, getting them all organised for the so-called "vote and float" – the six month-long process, now drawing to a close, of first gaining their approval to convert from a mutual society into a public company, and then distributing the shares – has proved something of a logistical nightmare.

Indeed, a wearied Sir Campbell Adamson, chief executive, recently remarked that, aside from the enormous cost – £80m in Abbey's case – smaller building societies which might be contemplating following its example should think seriously about whether their resources are up to the task.

Even Abbey, the second biggest society, has not been able to avoid things going wrong. The publication in March of the flotation details, for instance, had to be hurried forward by a day after a Post Office blunder meant copies, mailed to the Outer Hebrides, accidentally reached West London.

The scale of the task provides a gold mine for those who enjoy "interesting facts." Did you know, for example, that the Abbey will at the outset have as many shareholders as are on the registers of all of Britain's top five quoted companies put together?

Or that the printing of the share offer prospectuses, which started going out last Thursday, has required 450 tonnes of paper?

The first-class paid envelopes alone, weighing 270 tonnes, required the services of three major printers in different parts of the country. Thirteen different mailing bureaux have had to be used to post them all.

Sir Campbell Adamson: smaller societies should think seriously whether their resources are up to the task

Yet, although the share offer is demanding the services of some 2,500 employees of Lloyds, the receiving bank, it is in some respects much less complex than, say, a Government privatisation. This is because Abbey knows from the outset who all its shareholders are going to be.

This means that it will be able to provide members with their share certificates ahead of the start of dealings on July 12, rather than, as is more usual, sending them letters of allotment some days afterwards.

Most importantly, it means the amount of paperwork involved in the flotation has been able to be massively curtailed since the share certificates are to incorporate forms enabling members to use Talisman, the Stock Exchange's electronic transfer system, if they want to sell their shares. This is the first time a flotation has been so simplified.

It is in Abbey's efforts to simplify and personalise the flotation process that the work has really built up.

A share information office, which employs about 200 people, has already dealt with 220,000 telephone calls since January and has answered some 50,000 letters. It is currently bracing itself for a further deluge of enquiries during the offer period, which closes on June 29. Additionally, each of its 678 branches now has a "share assistant" to deal with inquiries on the spot.

Personalised share application forms – all bar-coded for security purposes – have been produced using a computer system developed by a full-time team of 20 programmers. They have had to cope with an average of 20,000 changes to the file of qualifying members each week.

Abbey National Sharelink, the special dealing service it has set up to enable shareholders to buy and sell at cheap rates in the first three months after flotation, is to employ some 700 people.

Yet, to put all this in context, the flotation is comparatively uncomplicated compared with the massive effort involved in the organisation of the vote.

That ground-breaking work in compiling the "electoral roll" was carried out last year by a team of systems analysts whose main problem was to "de-duplicate" the society's accounts. Even after the computerised system was set up some 1m names and addresses still had to checked manually from computer records.

During the voting period in April the 6,000 ballot boxes at the branches had to be emptied every day, and this meant flying a plane out to armed forces branches in West Germany twice a day. Abbey calculated that the boxes, if laid end to end, would have stretched for one and a half miles.

COMPANY NEWS IN BRIEF

AMERCOEUR ENERGY is selling the assets and businesses of three subsidiaries for £525,000 which will be used to eliminate debt and provide working capital.

BOURNEMOUTH AND District Water: Biwater's final offer accepted in respect of £408,260 stock representing 53.24 per cent of the voting rights; Biwater now owns 78.4 per cent of voting rights, has declared the offers unconditional and extended them to June 29.

BROWN AND Jackson is buying Capital Cameras for £2.58m satisfied by the issue of 6.45m shares. Additional payment up to £3m will be met by a new 5 per cent convertible loan stock. Capital Cameras trades from a leasehold retail shop in Crawley, Sussex. In the year ended May 31 1989 turnover was £5.91m and pre-tax profits £430,000. Net assets £751,000.

STANDARD CHARTERED Bank is inviting offers for its leasehold interest in its head office in Singapore to increase its capital base. It will continue to operate there under a 30-year leaseback.

VISTA Entertainments is discussing a possible acquisition with the owners of Manchester Theatres.

LEGAL COLUMN

EC framework finally comes into its own

By Robert Rice

ON July 1, the much maligned European Economic Interest Grouping regulation finally comes into its own. Conceived by the Council of Ministers as a community legal framework for the co-operation of community enterprises, it is based on the successful French "Groupement Intérêt Economique."

An EEIG is broadly a form of incorporated partnership at Community level. It has legal capacity but its formation depends on a contract drawn up by its members rather than company law concepts of memoranda and articles of association.

There is no requirement for any capital and the liability of it members is unlimited.

Membership is open to "economic operators" in the community which means any corporation, company or natural person. It is not possible, however, to establish an EEIG solely on the basis of members drawn from one member state.

The EEIG is not meant as a substitute for the European Company, so it may not be established with the primary object of making profits for itself. It must be established with a view to enhancing the performance of its members and must be ancillary to their businesses.

The most striking example of the use of the philosophy of the EEIG given by the Commission is Airbus Industrie which has operated for the past 19 years as a French GIE. It could not become an EEIG, however, because it employs centrally more than 500 people. However, the Commission emphasises that EEIGs can be used for an almost infinite variety of purposes.

One of the first EEIGs to be established was the Pannone De Backer lawyer grouping based on law firms in the UK, Belgium, France, Spain and Italy.

Mr Malcolm Keogh of Pannone Blackburn, the Manchester solicitors, said that in spite of the fact the none of the countries in which the groups' members are based had yet set up the mechanism for registering the EEIG, they took the view last November that as the EEIG concept was based in contract, it was safe for them to go fully operational immediately. The formality of registration has still to come but he foresaw no problems.

An audit of the first six months suggests the grouping has been a success for all its members. They are now sharing staff and the cross referral of work has more than exceeded their expectations.

One of the criticisms of such groupings is that the members lose referral work from a wider field. Mr Keogh dismissed this. In Manchester, the EEIG had attracted agency work from other solicitors who want to make use of their European network.

If there was a drawback to the EEIG it was on the question of liability. There was no doubt that professional liability flowed cross border, he said.

Curiously enough, however, it was really only in relation to the UK that the issue of liability arose. In France it is possible to sue a lawyer for negligence but it has apparently never happened and in Brussels the general view is that it is impossible. The client's only remedy is not to use the same lawyer again.

In spite of the liability issue, Mr Keogh predicted that other UK law firms would establish EEIGs before long. For the medium and small firms, the EEIG has the attraction of being a fixed grouping rather than a loose "club" of lawyers, but without the costs of full integration.

Solicitors offered new pension plan

BMI KIDSONS has joined with Cazenove & Co to launch what it says is the first self-administered pension designed specifically for solicitors and other professionals.

While directors of private companies have for years enjoyed the benefits of small self-administered pension schemes, the nearest equivalent for partners in professional firms has been the Partnership Friendly Society. This requires a minimum of seven partners and individual approval from the Registrar, plus a considerable amount of time and effort to administer effectively.

The new scheme allows investment in any listed stocks and shares here and abroad, in securities on the USM and in units in any authorised unit trust. In addition, monies can be held on deposit.

Cazenove & Co is the recommended fund manager but investors are free to nominate any stockbroker, merchant bank or trustee department of a clearing bank if they choose.

The scheme offers flexibility. Individuals are free to appoint a new fund manager at any time. They may also select their own investments.

The minimum initial contribution is £10,000. Pension benefits can be taken at any age between 50 and 75.

Free appeal on point of principle

When *Chapman and others v the Secretary of State for Employment* comes before the Court of Appeal today, a small slice of legal history will be made.

The appellant, Mr Douglas Payne, will be represented by a leading silk and junior counsel free of charge and the costs of the action, should he lose, will be met by an appeal fund – all courtesy of the Free Representation Unit.

FRU is a charitable organisation set up by Bar students in the early 1970s to provide free legal advice and representation in a wide range of tribunals in which legal aid is not available.

Approximately 900 cases are referred to the unit each year by Citizens' Advice Bureaux, advice centres and solicitors. In 1987/88, the last year for which figures are available, FRU was successful in 78 per cent of the cases it handled.

This is the first time, however, that it has taken a case to the Court of Appeal.

It has done so not because the sum of money involved in Mr Payne's case is very large, but because it believes a very important point of principle is at stake.

Mr Payne is seeking a redundancy payment, for which it is necessary for him to show that he has been working for the same employer for a period of two continuous years.

Where there has been a change in employment, the first period will only count towards the two years if the two employers are "associated" under the provisions of section 153 of the Employment Protection (Consolidation) Act 1978.

They are only deemed to be associated if the same individual controls both companies.

The case will decide whether the traditional company law test of looking at the share register alone to determine who controls the company will continue, or whether an industrial tribunal should look beyond the register.

On the surface, it appeared in Mr Payne's case that the first employer did not have control of the second company because he only owned 50 per cent of it.

However, the other 50 per cent was owned by his wife, who took no active part in the running of the company. FRU argues the reality is that he did have control of the second company.

If the traditional or technical view of control is overturned by the Appeal Court, industrial tribunals may be encouraged to apply a common sense view not only on the particular question of control but in other areas as well, it says.

Gabriel Duffy Consultancy

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Our client, a progressive investment bank, has undergone substantial growth in recent years.

Due to continued expansion and the success of recent ventures, our client seeks an experienced banking lawyer with strong technical skills and commercial flair to join their existing team. Based in the Legal Department, the successful candidate will work in close conjunction with the banks' Corporate Finance team in a role which provides considerable scope for involvement in the commercial decision making process. Duties will include the provision of advice relating to new product development from documentation and negotiation through to final execution of successful mandates.

Applications are invited from qualified lawyers with 3 to 5 years relevant pqe, gained from within the banking sector or banking division of a leading City practice. Familiarity with global international finance practices is essential. Knowledge of a European language would also be an advantage.

This position provides an excellent opportunity for a dynamic lawyer to make a substantial contribution in an actively developing market.

For a preliminary discussion, interested candidates should contact CHRISTINE HEPPENSTALL on 01-831 2288 or write with full CV to: 31 SOUTHAMPTON ROW, LONDON, WC1B 5HJ. All enquiries will be treated in strict confidence.

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A persuasive qualified Lawyer, you will deliver high quality, cost effective internal and external legal services. Working proactively at a strategic level with the management team, you will review existing services, make recommendations and implement new policy.

This British bank enjoys an excellent reputation for innovation and operates in both commercial and investment sectors in the UK and internationally. It is poised for major initiatives which require an in-house Legal Manager able to work with some of the UK's leading Solicitors and set new legal precedents.

A generalist, rather than a specialist, you will advise on all aspects of the bank's business, including fund management, corporate and private client lending, property, employment law and the Financial Services Act. You will assess when to use external Solicitors, negotiate fees and provide quality control.

Generous rewards include car, mortgage subsidy, non-contributory pension and other attractive banking benefits. A higher salary may be considered for more experienced candidates with highly relevant experience. Positive thinking and decisive, you will waste no time in contacting Patrick Hill, Director of Aston Zoraster Limited, today on 0734-566123, or writing to him, with full CV, at Chesham House, 150 Regent Street, London W1R 5FA.

Aston Zoraster
INTERNATIONAL SEARCH & SELECTION

LAW SOCIETIES ADMISSIONS
15th June, 1989

MCCAFFREY, Elizabeth Martha LL.B Miss, Strabane, Co. Tyrone
MCDONNELL, Elizabeth Marie-Louise B.A Mrs, Temple Cowley, Oxford
MCGLASHAN, Anita Eve B.A Mrs, Liverpool
MCKEOWN, Stephen John Mr, Widnes, [illegible]
MELLOR, Simon Owen Mr, London
MERRICK, Amanda Jane Miss, Stockport, Cheshire
MORRIS, Louise Marion Solicitor Of The Supreme Court Of New Zealand Miss, London
[illegible]

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The present Group Company Secretary will be retiring in 1990 and the objective of this advertisement is to find his replacement.

You will be responsible to the Chairman and will be involved in many day-to-day business, legal and financial activities, which will entail working closely with directors and other senior management. Responsibilities will include dealing with pension and other personnel benefit schemes, insurance, property purchase/management and the usual corporate matters for the holding company and of subsidiary companies.

Probably aged around 40, you should be a professionally qualified lawyer, chartered accountant or chartered secretary with relevant broad based experience gained in a public company.

To apply, please send CV, indicating current salary to Suzanna Karoly quoting reference F/819/K.

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The Company is the first European office of a group of trust and financial services companies based in the Pacific region. Current operations in Europe are concentrated on corporate management and international tax planning. The Group has extensive expansion plans, including acquisition strategy, for further operations in Europe and the Western hemisphere.

We are looking to expand our fee income business in the specialist financial market and would be interested to hear from individuals with in-depth experience and, if possible, solid contacts in the following areas:

Trust and Corporate Management Services: International Tax Planning
Specialist Finance and/or Other Niche Areas

Candidates should possess drive and enthusiasm and be capable of operating autonomously from day one. You will be working as a member of a dynamic and entrepreneurial team where scope will be limited only by your own efforts and abilities. An outstanding incumbent may be offered a directorship.

Successful applicants will probably hold a recognised legal or accountancy qualification, an MBA and/or have international tax, trust, administration and marketing experience. You will have fluent English and French and a knowledge of further languages, including Luxembourgish, would be advantageous. This is a substantial career opportunity and if you feel ready to accept the challenge of this appointment please send your curriculum vitae with a covering letter in the strictest confidence to: Jan A. J. Bout, Deputy Chairman, European Pacific Trust Company (Luxembourg) S.A., PO Box 75, L-2010 Luxembourg. Tel. (+352) 461426 / Fax (+352) 461429.

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Our client, a respected Arab banking institution, enjoys a prominent position providing a full range of traditional wholesale, retail and commercial banking services, as well as investment related products. As a result of a corporate restructuring designed to meet an expansion of its activities, we have been retained to identify an additional member for the management team.

Reporting directly to the Board of Directors and to the Chairman of the Board, the incumbent will have overall responsibility to undertake all the necessary formal arrangements for meetings of both the directors and shareholders, and to ensure that the Bank is operating in conformity with its Articles and Memorandum of Association, and is in compliance with all relevant laws and regulations. He will additionally have responsibility for the issuance and cancellation of the Bank's share certificates. In relation to this activity, as well as to certain other legal or administrative issues which may arise from time to time, and which will generally relate to mainstream banking business, he will report functionally to the General Manager.

Candidates should possess an appropriate tertiary qualification and have at least 5 years' relevant experience of acting in the capacity of Board Secretary and Legal Adviser gained within a leading bank. Familiarity with the Mid-East, and its laws and culture, would be an advantage.

The confidential nature of the position calls for a dedicated, self-assured, tenacious and highly professional individual with well developed technical and interpersonal skills, which will enable him to blend harmoniously into the Bank's management team, as well as to represent the Bank externally.

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If you feel ready to accept the challenge of this rare and exciting opportunity, please send your curriculum vitae in confidence to Walter Brown, Executive Director, or Roy Webb, Managing Director, or call them for an initial discussion.

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LAW SOCIETIES ADMISSIONS
15th June, 1989

ADAM, Gordon Herbert [illegible] Mr, London
AGNEW, Carolyn Jane Robertson [illegible] Miss, London
ARMSTRONG, John Francis Solicitor of the High Court of New Zealand Mr, London
[illegible]

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	56.31	57.00	60.64	4.52	40000
Gilts & Fixed Int	6	109.10	109.10	115.7	8.64	40001
High Inc Equity	6	132.3	135.2	143.9	4.41	40002
Worldwide Bond	6	208.90	208.9xd	221.3	4.38	40003
Capital Growth						
American Growth	6	192.9	192.9	206.4	0.92	40004
Asian Pacific	6	97.70	97.70	104.5	1.24	40005
Assets & Earnings	6	158.7	158.7xd	169.8	2.18	40006
Capital Reserve Acc	0	85.24	85.24	85.30	4.67	40007
Comdty & Energy	6	101.4	101.4	108.5	1.75	40008
1992 Enterprise	6	57.76	58.91	62.68	2.87	40097
European Capital	6	87.52	88.36	93.90	0.80	40009
General	6	174.5	177.5	188.9	2.38	40010
International		47.25	47.25	50.30	1.00	–
Japan	6	104.9	104.9	112.2	0.00	40011
Alnvestment	6	85.97	85.97xd	91.95	1.85	40012
UK Growth Acc	6	199.6	199.6	213.50	1.31	40013
UK Growth Dist	6	133.1	133.1	142.4	1.97	40014
US Emerging Cos	6	56.73	58.60	62.35	0.00	40015
Income & Growth	6	291.0	291.0xd	311.3	3.29	40016
Ethical	6	48.92	50.16xd	53.37	1.87	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	32.27	32.27xd	34.45	3.28	40019
European	5¼	65.25	65.48	69.90	0.00	40025
European Income	5¼	64.88	64.88xd	69.26	3.05	41377
Eventoc	1	798.6	798.6	833.5	2.24	41379
Extra Income	5	42.16	42.16xd	45.01	5.07	40021

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sh Dsd Gilt & FI	1¼	53.14	53.24	53.88	2.93	40216
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	53.90	53.90	58.52	2.70	40217
Global Tst	5½	43.37	43.37	46.89	2.01	40218
Recovery Tst	5½	53.34	53.34	58.92	1.92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	107.6	108.9xd	114.9	3.68	40220
CS Fund Managers Limited (1000)F						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	62.46	62.46	66.44	0.46	40221
CS International	5	56.24	56.24	59.82	1.78	40222
CS Japan	5	120.5	120.5	128.1	0.38	40223
CS Portfolio Inv §N	5	72.20	72.20xd	76.80	3.47	40224
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	140.6	145.8	153.5	3.02	40225
Do Gen Accum	5	234.5	243.3	256.1	3.02	40226
Do Income Dist	5	93.17	97.00	102.1	5.52	40227
Do Inc Accum	5	213.5	222.0	233.9	5.52	40228
Gilt & Fxd Int	5	35.90	35.95	37.84	8.48	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB 01-902 8876. Dealing: 0800 282621						
Growth	5¾	37.81	37.81	40.43	2.51	40230
Income	5¾	47.43	47.43	50.73	4.04	40231
Far East ♦	5¾	35.71	36.20	38.72	0.06	40232
North American ♦	5¾	37.00	37.39	39.99	1.80	40233
Global ♦	5¾	50.59	51.54	54.83	1.79	40234
European	5¾	55.13	55.94	59.51	0.90	40235
Japan ♦	5¾	102.2	104.1	110.7	0.01	40236
Intl Currency Bd	5¾	43.77	43.77	46.42	6.46	40237
Strategic Opps.	5¾	53.79	53.79xd	57.33	1.27	40257

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Meridian Growth	6	115.8	116.6	124.7	1.52	40225
Midland Personal Pension Unit Trust*						
British	6	57.29	58.94	61.70	2.27	40496
European Growth	6	58.09	58.18	61.89	0.39	40497
Gilt & Fixed	6	49.36	49.36	52.49	8.64	40498
Income	6	53.58	54.47	57.95	3.56	40499
Japan Growth	6	54.04	54.34	57.81	0.00	40500
Managed	6	54.92	55.77	59.33	1.64	40504
Money Market	6	52.38	52.39	55.52	10.74	40501
North American	6	59.52	60.68	64.55	0.39	40503
Midland FSAVCS Unit Trust*						
British	6	54.36	55.95	58.51	2.27	–
European Growth	6	56.72	56.80	60.43	0.39	–
Gilt & Fixed Int	6	48.89	48.90	51.99	8.67	40452
Income	6	54.64	55.56	59.11	3.56	–
Japan Growth	6	56.37	56.67	60.29	0.00	–
Managed	6	54.25	55.08	58.60	1.64	–
Money Market	6	50.73	50.74	53.77	10.80	–
North American	6	59.83	60.97	64.86	0.39	–

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK High Inc Eq Inc	5	71.17	71.17	76.95	5.86	41161
UK High Inc Eq Acc	5	79.05	79.05	85.48	5.86	41162
Hong Kong Inc	5	38.55	38.55	41.11	3.25	41163
Hong Kong Acc	5	39.89	39.89	42.54	3.25	41164
Swiss Equities Inc	5	37.64	37.64	40.35	1.20	41165
Swiss Equities Acc	5	37.96	37.96	40.70	1.20	41166
W'wide Bond Inc	5	52.63	52.63	55.60	5.83	41167
W'wide Bond Acc	5	54.34	54.34	57.41	5.83	41168
Emerging Asia Inc	5	82.88	82.88	88.82	0.00	46665
Emerging Asia Acc	5	82.88	82.88	88.82	0.00	46664
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	121.8	123.7	131.5	2.62	41169
PM Income & Gth	5	102.6	104.6	111.2	4.71	41170
PM Nth Amer Gth	5	56.01	56.01	59.98	1.26	41171
PM European Gth	5	56.15	56.15	59.73	0.74	41172
PM Japan Gth	5	75.95	76.10	80.95	0.30	41173
PM Overseas Gth	5	52.40	52.40	55.74	0.47	41174

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Name	Init. Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	62.64	65.59	69.77	6.85	41599
European	5	67.47	67.91	72.24	0.09	46303
Far Eastern	5	60.42	60.54	64.40	0.71	46304
Growth Inc	5	88.83	92.29	98.18	1.40	41600
Growth Acc	5	88.83	92.29	98.18	1.40	-
Income Inc	5	84.05	85.98	91.47	4.71	41601
Income Acc	5	84.05	85.98	91.47	4.71	-
Property Share	5	54.51	54.51	58.10	0.99	41602
Smaller Co's	5	58.73	61.92	65.87	1.46	41603
Formerly RBC Trust Managers Ltd						
Nth American	5	66.42	66.42xd	71.03	1.51	41209
International	5	48.16	48.16xd	51.50	1.40	41210
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	114.83	114.83xd	119.85	3.97	41604
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	62.72	65.23xd	69.39	2.63	41605
YUTM Eq Inc	5¼	59.79	61.87	65.82	4.64	41606
YUTM Intl Gwth Tst	5¼	50.97	50.97	54.39	1.00	41195

OTHER UK UNIT TRUSTS

Name	Bid Price	Offer Price	Yield Gr's	City-line
Baillie Gifford & Co Ltd				
Int'l Exmt June 7	485.3	509.8	-	40105
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund May 31	315.45		4.75	40251
Fxd Int Sec May 31	139.45		10.25	40252
Deposit May 31	100.00		12.45	40253
Charinco/Charishare (1000)F				
39 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc June 14	160.5	164.9xd	9.74	40254
C'inco Acc June 14	658.5	675.1xd	9.74	40255
C'share Inc June 14	146.8	152.2xd	3.59	40256
C'share Acc June 14	161.3	167.3xd	3.50	40257

Name	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc(z)	170.4	179.3	-	41714
Property(z)	561.9	591.4	-	41715
Mtple Inv Pens Acc(z)	1417.7	1492.2	-	41717
Broker Funds				
Prof. Pen. Fd	94.5	99.4	-	41718
YRA Strategy	117.8	124.0	-	41719
Laughton Dollar (SE)	136.5	143.6	-	41720
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	260.9	274.7	-	41723
Equity Acc	850.8	895.6	-	41724
Property Acc	494.1	520.2	-	41725
Far East Acc	204.4	215.2	-	41726
European Acc	23.3	24.6	-	41727
Managed Acc	672.2	707.6	-	41728
Managed Cap	381.6	401.7	-	41729
O'seas Earnings Acc	557.6	587.0	-	41730
Gilt Edged Acc	306.2	322.4	-	41731
American Equity Acc	472.9	497.8	-	41732
American Man. Acc	219.4	231.0	-	41733
American Prop Acc	152.3	160.4	-	41734
Pen. F.I. Dep. Cap	287.6	302.8	-	41735
Pen. F.I. Dep. Acc	492.8	518.8	-	41736
Pen. Prop. Cap	581.0	611.6	-	41737
Pen. Prop. Acc	1099.2	1157.1	-	41738
Pen. Man. Cap	821.1	864.4	-	41739
Pen. Man. Acc	1553.1	1634.9	-	41740
Pen. Gilt Edg. Cap	309.7	326.0	-	41741
Pen. Gilt Edg. Acc	478.6	503.8	-	41742
Pen. Eq. Cap	1344.3	1415.1	-	41743
Pen. Eq. Acc	1927.1	2028.6	-	41744
Pen. Am. Eq Cap	156.2	164.5	-	41745
Pen. Am. Eq Acc	188.7	198.7	-	41746
Pen. Far East Cap	242.2	255.0	-	41747
Pen. Far East Acc	292.6	308.1	-	41748
Pen. Euro Cap	26.6	28.0	-	41749
Pen. Euro. Acc	28.9	30.5	-	41750
Pen. B.S. Acc	540.2	567.3	-	41751
Pen. B.S. Cap	324.1	340.4	-	41752
Pen. D.A.F. Acc	378.4	378.4	-	41753
Pen. D.A.F. Cap	254.8	254.8	-	41754

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	135.0	143.0	-	43285
Building Soc. Fd.	171.0	180.0	-	43286
Balanced	283.0	298.0	-	43287
European	177.0	187.0	-	43289
GT Managed	176.0	186.0	-	43290
Gartmore Mngd.	116.0	123.0	-	43291
German	122.0	129.0	-	43292
Gilt	180.0	190.0	-	43293
Global	48.0	51.0	-	-
High Inc.	120.0	127.0	-	43294
International Equity	196.0	207.0	-	43295
Japan	235.0	248.0	-	43296
Managed	63.0	67.0	-	43297
Property	283.0	298.0	-	43298
R. W. Imperial Gold	148.0	156.0	-	43299
UK Equity	364.0	384.0	-	43300
Pension Funds				
American	157.0	166.0	-	43301
Building Soc. Fd.	171.0	180.0	-	43302
Balanced	218.0	230.0	-	43303
European	176.0	186.0	-	43305
German	109.0	115.0	-	43308
Gilt	153.0	162.0	-	43309
International Equity	144.0	152.0	-	43310
Japan	136.0	144.0	-	43311
Managed	64.0	68.0	-	43312
Property	217.0	229.0	-	43313
UK Equity	328.0	346.0	-	43324
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	594.9	626.9	-	43325
Adventurous Mngd.	128.3	135.3	-	46402
Secure Mngd	108.4	114.3	-	46403
Cash Fd.	233.4	246.0	-	43316
Property Fund	287.2	305.6	-	43317
Equity Fund	670.9	707.0	-	43318
Fxd. Int. Fund	294.3	310.2	-	43319

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Holborn Pensions Ltd—Contd.				
Communications	103.9	109.4	-	43537
Smaller Companies	106.5	112.2	-	43538
International Small Co.	130.5	137.4	-	46059
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary June 14	£154.42	159.83	-	43539
Equity June 14	£167.21	173.43	-	43540
International June 14	£26.59	27.41	-	43541
Intl Bond June 14	£12.99	13.16	-	43542
Fixed Int June 14	£70.50	71.44	-	43543
Index Linked June 14	£59.40	60.15	-	43544
Property June 14	£109.66	116.20	-	43545
Cash June 14	£20.8889	20.8889	-	43546
Pru-Linked Retirement Plan				
Managed June 14	379.2	395.1	-	43547
Cash June 14	196.2	204.4	-	43548
Prudential Pensions Investment Account				
Pens Mngd June 16	152.9	164.5	-	43549
Pens UK Eq June 16	301.2	325.0	-	43550
Pens Intl June 16	185.4	199.3	-	43551
Pens Fixed June 16	161.6	170.6	-	43552
Pens Index Lt June 16	152.1	160.6	-	43553
Pens Cash June 16	128.2	135.0	-	43554
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd.	118.4	124.6	-	43555
Balanced Ptflio Fd.	309.9	326.1	-	43556
Cautious Ptflio Fd	120.4	126.7	-	43557
Elite Fund	107.5	113.1	-	43558
European Fund	85.4	89.8	-	43559
Far East Fund	103.1	108.5	-	43560
Fixed Interest Fund	236.6	249.0	-	43561
International Fund	269.8	283.9	-	43562
Money Fund	176.6	185.8	-	43563
N American Fd.	124.0	130.5	-	43564
Property Fund	409.3	430.8	-	43565
UK Equity Fd	377.4	397.2	-	43566
A.I.M. Brewin Diplm Fd.	92.7	97.6	-	43567
Swim Select Inv.	108.3	114.0	-	43568

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,400	Exch. 10pc 1989	99	13.09	28.12	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99	13.29	20.2	29Mar 29Sep	1256
601	Treas 5pc 1986–89	98	10.89	9.3	15Apr 15Oct	1329
174	Exch 10¼pcCv '89	98	13.33	10.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	99¾xd	13.03	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	96	13.15	6.1	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	99	13.65	13.2	22Sep 22Mar	1262
550	Treas. 3pc 1990	93	10.69	3.4	8Nov 8May	1325
600	Treas 8¼pc 1987–90‡‡	95	13.03	9.5	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	95xd	12.43	9.6	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	96	12.74	20.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	90	9.58	17.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	98	12.46	5.6	10Jul 10Jan	1292
400	Funding 5¾pc '87–91‡‡	91	11.34	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	88	9.62	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	96	12.26	5.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	97	12.03	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	91¾	11.98	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	102½xd	11.60	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	96¼	11.67	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	91	11.65	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	97	11.58	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	82¾	9.76	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	101	11.60	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	105	11.52	13.2	22Mar 22Sep	1266
950	Treas 8¼pc 1993	90	11.38	17.1	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	96	11.28	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	103	11.38	7.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	85	10.27	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	108	11.21	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	90	11.21	28.12	3Aug 3Feb	–

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
443	Funding 3½pc '99–04	56	8.93	7.6	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	95	10.06	20.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	96	10.02	13.3	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	104	10.00	13.2	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	116	10.22	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002–06‡‡	84	9.91	1.3	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	98	9.90	10.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003–07	111xd	10.20	15.6	22Jul 22Jan	1293
1,446	Treas 8½pc 2007 ‡‡	89xd	9.75	9.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	125¼	10.16	17.2	26Sep 26Mar	1301
1,800	Treas. 9pc 2008 ‡‡	94	9.71	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	85¾	9.63	16.2	25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	95	9.56	5.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	63	9.34	1.2	10Mar 10Sep	1330
700	Treas. 7¾pc 2012–15‡‡	83	9.50	20.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	122	9.57	8.5	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	42	–	28.12	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	37	–	25.4	1Jun 1Dec	1352
140	Conv. 3½pc '61 Aft	64	–	23.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	34	–	1.3	5Apr 5Oct	1324
276	Consols 2½pc	26xd	–	1.6	5Ja Ap Jul O	1238
475	Treas. 2½pc	26	–	23.2	1Apr 1Oct	1315

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	87½	12.10	1.12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Asstd.	206	–	–	1Apr 1Oct	–
4	Do 4½pc 87–92 Asstd.	84½	9.33	9.1	7Feb 7Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 9pc 26.6.89	99¾xd	13.96	9.6	26June 20Dec	–
20	Do. 10pc 17.7.89	99	14.47	12.12	11Jan 17Jly	–
20	Do. 11pc 7.8.89	99½	14.55	3.1	1Feb 7Aug	–
20	Do. 11pc 29.8.89	99	14.76	–	2Feb 29Aug	–
20	Do. 12¼pc 18.9.89	99	14.54	10.2	12Mar 18Sep	–
20	Do. 12pc 2.10.89	99	14.56	27.2	26Mar 2Oct	–
20	Do. 11pc 6.11.89	98	14.55	31.3	30Apr 6Nov	–
20	Do. 12pc 4.12.89	98	14.56	28.4	28May 4Dec	–
20	Do. 12pc 2.1.90	99¼	14.31	30.5	2Jan 28Jun	–
20	Do. 12pc 29.1.90	98	14.59	9.2	29Jan 23Jly	–
–	Do. 12pc 26.2.90	98	14.35	–	26Feb 30Aug	–
60	Do. 3⅞pcIL Ln 2021	99½	4.45	23.1	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
3	Agric. Mt. 5pc '59–89	99xd	–	1.6	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	46	10.41	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	80	2.75	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	130	15.00	11.27	27.10	31May 30Nov	–
30	Iceland 14½pc Ln 2016	128xd	14.50	11.93	29.12	31Jan 31Jul	–
30	Ireland 9¾pc '91–96	92xd	9.75	11.20	15.2	1Mar 1Sep	5002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
8,277.2	Abbott Laboratories‡	36¼xd	$1.20	2.1	11.4	Fb My Ag Nv	1503
280.6	♥Allegheny & W 1c	540p	30c	3.5	–	–	–
1,987.0	Amax $1	16¼xd	80c	3.1	5.5	Mr Je Se De	1581
348.3	Ambase Corp $1	8½xd	20c	1.5	24.2	Jan Mar Jn De	2915
1,443.7	Amdahl 5c	13¼xd	b10c	0.5	31.1	Nv Mr Jn Ag	–
3,266.2	Amer. Cyanamid $5	35½	$1.35	2.4	27.2	Mr Je Se De	–
10,913.7	Amer. Express 60c	21xd	84c	2.4	3.1	Fb My Ag Nv	1594
1,178.7	Amer Medical Int. $1	14½	ϕ72c	3.1	9.1	Fb My Au Nv	–
24,774.7	American T. & T. $1	22	$1.20	3.3	27.5	Fb My Ag Nv	1597
16,326.5	Ameritech $1	38¼	h$2.92	4.8	28.3	Fb My Ag Nv	–
3,282.1	BankAmerica $1⅝	18¼xd	60c	2.1	17.5	Fe My Au No	1744
2,451.4	Bankers N.Y. $1	31xd	$2.08	4.2	31.3	Ac Jh Oc Jan	1745
11,192.3	Bell Atlantic $1	56½	$4.08	4.6	27.6	Fe My Au No	–
15,160.8	BellSouth Corp	31½	$2.52	5.1	4.1	Fe My Au No	–
1,105.9	♥Bethlehem Steel $8	14¾xd	–	–	6.2	Mar Jun S D	1821
–	♥Bio-Rad Labs. A	11	–	–	–	–	–
720.6	Bowater Inc.	19¾xd	$1.12	3.6	6.6	Oc Ja Ap Jy	1884
1,059.0	Brunswick 75c	11	44c	2.4	20.4	F My Au N	1989
3,312.6	CPC Intnl. 25c	40	$1.60	2.5	25.9	Jan Ap Jly O	2263
3,410.6	CSX $1	21¾	$1.24	3.6	22.2	M J.S.D	–
136.4	California Engy	749p	–	–	–	–	–
3,753.8	Campbell Soup 15c	28	92c	2.0	30.12	Oc Ja Ap Jy	–
2,045.8	Chase Manhattan $12½	25xd	$2.36	6.0	26.4	Fb My Ag Nv	2109
2,552.0	Chem. Banking Corpn	22¾xd	$2.72	7.5	12.6	Ap Jy Oc Ja	–
3,562.7	Chrysler $6¼	16¼xd	$1.20	4.7	14.6	Mar Jun S D	2135
6,638.1	Citicorp $1	20¾xd	$1.62	4.9	25.4	My Au N F	2141
3.87	CityFed Fin. Corp	188p	4c	1.3	29.10	Fb My Ag Nv	–
2,233.9	Colgate-Palmolive $1	32½	s$1.48	2.9	20.4	F My Au N	2184
735.2	Cons Freightways 62½c	19½	92c	3.2	6.2	Fe My Au Nv	–
1,647.4	Cont'l Bank Corp $4	16	84c	3.1	31.5	Dc Mr Jn Sp	–
–	♥Corporate Data Scncs	334p	–	–	–	–	–

Continued on next page

	Call Fnd	7-day Fund	Special Fund	Dollar
Gartmore Money Management Ltd, 2-3 White Hart Yard, London SE1R 1NX. 01-236 1425	12.33 / 9.65 / 13.17 / –	12.93 / 10.12 / 13.84 / –	12.40 / – / 13.13 / –	8.31 / 6.50 / 8.68 / –

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
164.0	Colltaet Sftwr 1c	508p	–	–	–	–	–
1,198.5	Dana Corp $1	26¾	$1.60	3.8	30.5	Mr Jn Se De	2306
320.8	Data General	11⅝	–	–	–	–	–
6,804.9	Dun & Bradstreet $1	36⅝	$2.00	3.5	13.2	Mr Jn Sp Dc	–
1,747.5	Eaton Corpn. 50c	40⅞	$2.00	3.1	1.2	F My Au N	2410
638.4	Echlin Inc.	10¼	70c	4.1	3.4	Ja Ap Jul Oct	–
2,586.7	FPL Group 1c	28¼	$2.28	7.1	23.11	Mr Je Sep Dec	–
16,679.0	Ford Motor $1	31⅝	$3.00	6.0	27.4	Mar Jun S D	2615
831.8	GATX 62½c	44½	$2.00	2.8	12.6	Mar Jun S D	2662
31,236.3	Gen. Elect. 63c	34¼	$1.64	3.0	7.6	Ja Ap Je Dc	2675
–	General Host Corp $1	557p	30c	3.4	13.12	–	–
3,007.0	Gillette $1	25⅛	96c	2.3	27.1	Mar Jun S D	2695
289.9	Gt Am First Secs Bk $1	884p	60c	4.3	28.10	Fb My Aug Nv	–
876.6	Greyhound $1½	22⅝	$1.32	3.7	30.5	Ja Ap Jy Oc	2778
686.6	Hasbro Inc 50c	13	16c	0.8	2.5	Ja My Ag Ny	–
2,092.8	Honeywell $1½	47¼	$2.10	2.8	23.5	Mar Jun S D	2919
2,491.3	Houston Inds	20⅞	$2.96	9.0	10.11	Mr Jn Se De	–
42,241.4	IBM Corpn $1¼	70¼	$4.84	4.3	5.5	Mar Jun S D	2966
0.95	Image StorageR Sys 1c	45p	–	–	–	–	2961
1,437.8	Ingersoll-Rand $2	27¼	$1.20	2.8	16.5	Mar Jun S D	2979
2,115.6	Lockheed Crpn. $1	32¼	$1.60	3.1	15.2	Mar Jun S D	–
344.4	Lone Star Inds $1	20⅞	$1.90	5.8	12.6	Mr Jn S Dec	3216
740.7	Louisiana Land 15c	23¾	$1.00	2.7	26.5	Mar Jun S D	3222
663.8	Lowe's 50c	16¼	48c	1.8	9.1	Ja Ap Jly Oc	–
1,146.4	Manuf. Hanover $1	23⅞	$3.28	8.7	26.6	Ja Ap Jly Oc	3279
2,046.7	Merrill Lynch $1	19⅓	$1.00	3.3	31.10	Feb My Au N	3351
518.1	Molex Inc	2042p	3.2c	–	–	–	3397
4,694.0	Morgan (JP) $2½	26	$1.66	4.0	21.12	Ja Ap Jly O	3418
11,089.5	NYNEX $1	51¼	$4.36	5.3	27.6	F May Au N	–
408.5	PNH Corp	24⅓	$1.12	2.9	4.4	Ja Ap Jy Oct	–
–	Pacific Agr	259p	–	–	–	–	–
1,887.2	Pacificorp $3¼	27¼	$2.76	6.2	19.4	Feb My Ag Nv	–
11,301.9	Pacific Telesis 10c	26¼	$1.88	4.5	12.85	Fe My Au No	–
772.4	Pall Corp 25c	20⅞	48c	1.5	24.1	Fe My Au No	–
2,190.7	Pennzoil 83 1/3c	53¼	$3.00	3.6	25.5	Mar Jun S D	3630
849.6	Premark Intl	24⅝	84c	2.3	17.3	Jan Ap Jl Oc	3710
3,120.9	Quaker Oats $5	39¼	$1.20	1.9	20.3	Jn Oc Jan Apr	3738
785.9	Rep NY Corpn $5	31½	$1.28	2.6	12.6	Jan Apr Jly O	3814
4,301.3	Rockwell Intl. $1	14⅝	72c	3.2	10.5	Mr Jn Se De	3847
10,166.8	Southwestern Bell $1	33⅞	$2.60	4.9	5.7	Fb My Ag No	–
2,861.0	Sun Co. Inc $1	26⅞	$1.80	4.2	5.5	Mr Jn Se De	4135
1,743.3	TRW Inc. 62½c	29¼	$1.72	3.7	9.5	Ma Je Se De	4318
1,132.3	TW Services $5	21⅞	10c	0.3	11.11	Fe My Au No	–
5,274.6	Tenneco $5	35⅝	$3.04	5.4	23.5	Mr Jn Sp Dc	4194
7,880.2	Texaco $6.25	31⅝	$3.00	6.0	31.5	Mr Je Se De	4200
2,712.8	Texas Instr. $1	27¼	72c	1.7	23.3	JAJO	5033
10,565.3	Time Inc. $1	111¼	$1.00	0.6	22.2	Mr Jn Se De	4234
613.0	TRINOVA Corp	17⅞	64c	2.3	10.5	Mc Je Se De	4309
7,434.6	USX $1	24½	$1.40	3.6	2.5	Mr Je Se De	4380
150.5	Unilab	162p	–	–	–	–	–
4,328.4	Utd. Technologies	33	$1.60	3.1	23.5	Mr Jn Sp Dc	4381
–	Utilitech Inc	141p	–	–	–	–	–
9,041.7	US West	45¼	$3.76	5.3	14.4	Fb My Ag No	–
7,527.6	Waste Management $1	33⅛	48c	0.9	16.6	Ja Jly Oc Jan	4439
1,327.9	Whirlpool $1	19⅛	$1.10	3.6	28.2	Mr Jn Se De	–
1,550.4	Whitman Corp	22¼	$1.02	2.8	6.6	Ap Jy Oc Ja	2951
2,298.5	Woolworth $3½	34⅞	$1.88	3.4	26.1	Mr Je Se De	4540

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.84	Allied Hldgs. 20p	26	–	–	–	–	3438
96.9	Allied Textile	388	10.6	3.7	13.2	Oct. Apr.	1558
8.72	Atkins Bros	233	11.0	6.5	12.12	Jan. July	1686
14.4	Beales (J.) 20p	247	†6.3	3.4	30.1	Feb. Sept.	1781
12.1	Beckman A 10p	85	b4.78	7.5	8.5	Jan June	1790
26.7	Brit. Mohair	281	8.0	5.3	3.4	May Oct.	1917
1,382.6	Courtaulds	334	13.0	5.2	5.6	Jan Jul	2256
327.0	Dawson Intl	213	8.6	5.5	12.12	Aug Jan	2320
8.92	Drummond Group	83	3.1	5.0	28.12	Feb Sept	2381
9.31	Early's Witney 10p	199	1.32	1.1	17.4	Nov Jul	2406
19.1	Foster (John)	168	5.5	4.4	5.6	Jan. July	2625
12.4	Gaskell B'loom 20p	255	7.5	3.9	22.5	Oct. Jul.	2660
19.8	Haggas (John) 10p	91	4.0	5.9	13.3	Nov Apr	2801

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

TRUSTS, FINANCE, LAND—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
14.3	Div & Mer Gd Inc 50p	102	u6.7	8.8	8.5		3834
7.00	Do. Prf 5p	2	–	–	–	–	3833
62.8	Div & Mer Inc 12½p	104	H7.05	9.0	22.5		3828
25.1	Do. Cap 12½p	83	–	–	–	–	3827
1.75	Do. Warrants 12½p	29	–	–	–	–	3826
29.5	Do. Stepped Prf 12½p	97¼	H4.63	6.3	3.4	Apr. Oct	3825
55.4	River Plate Inc	169	F7.34	9.8	30.1	June	3830
17.8	Do Cap	59	–	–	–	–	3829
1.21	Do Warrants	28	–	–	–	–	3831
17.2	Do Zero Div Pf	43	–	–	–	–	3832
3,613.4	Robeco (Br.) Fl10	£30½	Q29.2%	2.7	30.3	May	3839
–	Do. Sub.Sh's Fl1	304	Q29.2%	2.7	26.3	April	3840
1,791.1	Rolinco NV Fl10	£30¼	Q17.2%	1.6	2.12	May	3852

OIL AND GAS

OIL AND GAS—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,627.4	Petrofina SA	£199½	BFr400	3.2	22.5	–	3647
1.48	Petrogen Petroleum	6½	♦	–	–	–	3659
37.9	Pict. Pet. 5p	11	–	–	–	–	3711
381.1	Premier Cons. 5p	98½	–	–	–	–	3770
268.6	Ranger Oil	360	–	–	–	–	3826
21,495	Royal Dutch Fl 5	£39⅞	Q142%	5.0	12.5	May Sept.	3872
2.03	Sandpiper Oil	13	–	–	–	–	
548.0	Santos AS0.25c	173	kQ18.2c	5.2	10.4	Oct May	3916
–	Sceptre Res	232	–	–	–	–	
11,563.3	Shell Trans. Reg.	409	17.0	5.5	13.3	Nov. May	4003
7.10	Do. 7pcPf. £1	71	4.9%	9.2	28.12	Feb. Aug.	4005
18.4	Silkolene	495	12.0	3.7	3.4	Jan May	4021
14.1	Southwest Res. 40p	73	♦	–	6.85	–	4066

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.12	Ayer Hitam SM1	45	tbQ53.1c	♦	9.3	Apr. Nov.	1714
12.0	Gopeng Berhad M$0.50	75	Q10c	3.3	13.3	–	2726
6.37	Jantar 12½p	13	♦	–	6.86	–	3022
301.0	Malaysia Mng. 10c	72	Q5c	1.7	17.4	Dec Aug	3272
18.2	Petaling SM1	180	Q87c	11.6	5.6	Dec July	3644
4.27	Sungei Besi SM1	125	Q70c	13.5	12.12	September	4140
1.34	Tanjong 15p	90	–	–	6.81	–	–

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	
Albany Inv 20p	98	......
Craig & Rose £1	728	......
Finlay Pkg. 5p	88	......
Holt (Jos) 25p	1333	......

IRISH

Stock	Price	
Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996	£98½	......
Fin. 13% 97/02	£118	......
Arnotts	425	......
Carrol (P.J.)	153	......
Hall (R. & H.)	165	......
Helton Hldgs.	73	......
Irish Ropes	203	......
United Drug	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	50
Rundsworth	20

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	100
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Taking two views of the dollar

THE OUTLOOK for the US dollar remains rosy according to the market, but its prospects could depend on whether you take a short, medium or long term view.

Making the wrong decisions now could prove expensive, so it may be useful to look at the overall market assessment. Not surprisingly there is no strong consensus; some economists believe the dollar will weaken in the long term while others think the currency will be even stronger six months from now.

Mr Mark Brett, economist at Barclays de Zoete Wedd, believes it is time to take profits in the dollar and that it is likely to see a setback within the next two months. There is a strong line of technical support at DM1.96 and Y140, according to BZW, but it is unlikely to fall below DM1.97 and Y143.40.

Mr Brett says the near-term weakness will be the result of the currency going up too far too fast, but in the longer term he says the dollar's trend remains up, possibly taking it to peaks of DM2.20 and Y160 early next year.

Mr Neil MacKinnon, senior economist at Chase Investment Bank, also puts himself in the *bulls camp*. The Chase view is that the dollar will go up to DM2.05 and Y153.0, in the next month and to DM2.15 and Y161.00 by mid-September.

Last Thursday it was the failure of the dollar to break through resistance at DM2.05 and Y150 that enabled the US Federal Reserve to knock about 6 pfennigs and 6 yen off the dollar, as the market showed a rather *disappointing* reaction to improving US trade figures.

The US trade deficit was cut to $8.26bn in April from a revised $9.5bn in March. There were suggestions that the dollar would breach DM2.05 and Y150 if the trade gap narrowed. When this failed to happen dealers took profits, only to *find the Federal Reserve* increasing the momentum of the downward trend with some heavy intervention.

The Bank of Japan continued the trend with dollar sales in Tokyo, amid suggestions that the Japanese central bank is prepared to sell $1bn a day in the cause of depressing the dollar. This would use up Japan's considerable currency reserves of around $100bn in about 5 months.

European central banks cannot be as aggressive however. If the Bundesbank made a similar commitment to sell the dollar it would run out of reserves in about half the time.

Clearly the central banks will not use their reserves at anything like this rate. Mr MacKinnon says he believes the Group of Seven must adjust upwards target zones for the dollar. There will be an opportunity at the economic summit scheduled for mid-July. He sees the dollar *remaining strong for a matter* of years, not just months. Mr MacKinnon added that demand for the dollar is not purely *speculative, but represents* buying of US assets by large institutional investors. BZW points out that Japanese investors *bought 50 per cent more* US equities in May than in the whole of 1988.

Mr Geoffrey Dennis, chief *international economist* at James Capel, takes a more bearish view in the longer term. He forecasts that DM2.10 *and Y155 will be touched in the* near term, but that the dollar will peak in the third quarter. He says it will weaken over the *rest of the year*, partly as a result of a renewed deterioration in the US trade deficit, as the dollar's rally takes its toll of exports. James Capel expects the dollar to be back within the previous G7 bands of DM1.70 to DM1.90 and Y120 to Y140 by the end of the year.

Colin Millham

£ IN NEW YORK

June 16	Close	Previous Close
£ Spot	1.5395-1.5405	1.545-1.60
1 month	0.58-0.53pm	0.60-0.58pm
3 months	1.85-1.75pm	1.90-1.87pm
12 months	6.70-6.40pm	7.08-6.98pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 16	Previous
8.30 am	91.0	90.6
9.00 am	91.1	90.6
10.00 am	90.9	90.7
11.00 am	90.7	90.6
Noon	90.7	90.6
1.00 pm	90.6	90.5
2.00 pm	90.9	90.3
3.00 pm	91.0	90.4
4.00 pm	90.8	90.5

CURRENCY RATES

June 16	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.24054	1.47961
U.S Dollar	7	1.21334	1.03237
Canadian $	12.39	1.45504	1.23730
Austrian Sch.	5	17.4102	14.5781
Belgian Franc	7.75	51.8430	43.3389
Danish Krone	7½	2.47546	8.05817
Deutsche Mark	4.50	2.47546	2.07094
Neth. Guilder	5.50	2.78704	2.33212
French Franc	9½	8.39935	7.03199
Italian Lira	13½	N/A	1502.98
Japanese Yen	2½	182.426	151.758
Norway Krone	8	N/A	7.49140
Spanish Peseta	-	159.052	133.227
Swedish Krona	9½	8.31199	6.96334
Swiss Franc	4.5	2.14458	1.78600
Greek Drach.	20½	212.085	178.105
Irish Punt	-	N/A	0.775905

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for June 15

CURRENCY MOVEMENTS

June 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.8	-20.1
U.S Dollar	72.8	-3.5
Canadian Dollar	104.1	+0.4
Austrian Schilling	106.3	+9.5
Belgian Franc	105.7	-6.3
Danish Krone	102.8	-2.2
Deutsche Mark	112.4	+19.9
Swiss Franc	106.7	+15.7
Guilder	110.0	+13.0
French Franc	98.9	-15.9
Lira	98.5	-19.4
Yen	138.2	+63.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for June 16.

OTHER CURRENCIES

June 16	£	$
Argentina	306.50-309.85	199.00-201.00
Australia	2.0460-2.0485	1.3290-1.3300
Brazil	1.7860-1.7960	1.1600-1.1650
Finland	6.8120-6.8290	4.4430-4.4460
Greece	262.25-266.75	170.20-172.95
Hong Kong	11.8725-11.8960	7.7875-7.7895
Iran	114.80*	74.90*
Korea(Sth)	1021.40-1029.65	664.30-669.70
Kuwait	0.45820-0.46160	0.29600-0.29800
Luxembourg	64.00-64.10	41.70-41.80
Malaysia	4.1325-4.1455	2.7100-2.7130
Mexico	3650.00-3655.00	2370.00-2380.00
N. Zealand	2.7010-2.7060	1.7545-1.7575
Saudi Ar.	5.8055-5.8105	3.7500-3.7510
Singapore	2.9930-3.0015	1.9610-1.9630
S. Af (Cm)	4.2710-4.2845	2.8040-2.8055
S. Af (Fn)	6.2795-6.4115	4.1150-4.2015
Taiwan	39.75-39.85	26.05-26.15
U.A.E.	5.6840-5.6895	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

June 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅛-12⅞	13¼-13⅛	14-13⅞	14⅜-14⅛	14⅜-14¼	14¼-14⅛
US Dollar	9½-9⅜	9½-9⅜	9½-9⅜	9⅝-9½	9⅝-9½	9⅝-9½
Can. Dollar	12½-12¼	12½-12¼	12⅝-12⅜	12⅝-12⅜	12-11¾	12½-12¼
D. Guilder	6⅝-6½	6⅝-6½	7-6⅞	7⅛-7	7¼-7⅛	7¼-7⅛
Sw. Franc	7¼-7⅛	7¼-7⅛	7¼-7⅛	7¼-7⅛	7¼-7	7¼-6⅞
Deutschmark	6½-6⅜	6⅝-6½	6¾-6⅝	6⅞-6¾	7⅛-6⅞	7⅛-7
Fr. Franc	8⅞-8¾	8⅞-8¾	8⅞-8¾	8⅞-8¾	9-8⅞	9⅛-8⅞
Italian Lire	11-9	12¼-11¾	12-11½	12¼-11⅞	12¼-11⅞	12½-12¼
B. Fr. (Fin)	7⅞-7⅝	8¼-8⅛	8⅝-8½	8¾-8⅝	8⅞-8¾	8⅞-8¾
B. Fr. (Con.)	8-7⅝	8⅝-8	8⅝-8½	8⅞-8⅝	8⅞-8¾	8⅞-8¾
Yen	5⅛-5	5⅜-5¼	5⅜-5¼	5⅝-5½	5⅝-5½	5⅝-5½
D. Krone	9⅛-9¼	9¾-9¼	9⅛-9⅜	9½-9⅜	9⅝-9½	9⅞-9⅝
Asian $Sing	9⅞-9⅞	9⅞-9⅞	9½-9⅜	9⅝-9½	9⅝-9½	9⅝-9½

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.534	3.058	223.3	10.38	2.638	3.440	2215	1.837	64.05
$	0.652	1	1.993	145.6	6.767	1.720	2.243	1444	1.198	41.75
DM	0.327	0.502	1	73.02	3.394	0.863	1.125	724.3	0.601	20.95
YEN	4.478	6.870	13.69	1000.	46.48	11.81	15.41	9919	8.227	286.8
F Fr.	0.963	1.478	2.946	215.1	10.	2.541	3.314	2134	1.770	61.71
S Fr.	0.379	0.582	1.159	84.65	3.935	1	1.304	839.7	0.696	24.28
H Fl.	0.291	0.446	0.889	64.91	3.017	0.767	1	643.9	0.534	18.62
Lira	0.451	0.693	1.381	100.8	4.686	1.191	1.553	1000	0.829	28.92
C $	0.544	0.835	1.665	121.6	5.651	1.436	1.873	1206	1	34.87
B Fr.	1.561	2.395	4.774	348.6	16.21	4.119	5.371	3458	2.868	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Rates ease but Bank rejects bill offers

UK INTEREST rates painted a rather confusing picture last week. Pressure eased on money market rates as the week drew to a close, but the rejection of bids by the Bank of England at Friday's weekly Treasury bill tender could be taken as an indication that the market remains very nervous about a rise in bank base rates.

UK clearing bank base lending rate
14 per cent
from May 24

The Bank of England accepted bids of only £181m for £500m of 91-day Treasury bills on offer and bids of £81m for £100m of 182-day bills.

This meant that the discount houses - with an obligation to cover the tender each week - offered to buy bills at prices lower than the authorities were prepared to accept. The lower the price the higher the interest rate on the bill and if the Bank of England had accepted these bids it could have been taken to indicate that base rates were about to rise.

This suggests there was a protest in the market about the risk of taking up bills, which will turn out to be be loss makers at present interest rates if *base rates are forced up within* the life of the bill.

On the other hand it is possible to put a more optimist interpretation on the situation, by saying that the Bank of England would not have rejected the low prices if it believed rates are about to be forced higher.

Pressure did ease in the market on Friday, with three-month sterling interbank falling to 14⅛ per cent from levels of around 14½ per cent at mid-week. This followed better than feared figures on UK *average earnings and retail prices*. The prospects for holding base rates at 14 per cent now look rather brighter.

POUND SPOT- FORWARD AGAINST THE POUND

June 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5200-1.5600	1.5335-1.5345	0.55-0.52cpm	4.19	1.69-1.64pm	4.34
Canada	1.8265-1.8495	1.8360-1.8370	0.25-0.14cpm	1.27	0.71-0.56pm	1.37
Netherlands	3.43-3.46½	3.43½-3.44½	2-1⅞cpm	6.76	6-5⅞pm	6.83
Belgium	63.90-64.45	64.00-64.10	31-29cpm	5.62	90-86pm	5.50
Denmark	11.86½-11.97	11.88¾-11.89¾	4⅞-4½orepm	4.77	14¾-13⅞pm	4.74
Ireland	1.1450-1.1590	1.1485-1.1495	0.50-0.45pm	4.96	1.40-1.30pm	4.70
W. Germany	3.05-3.08	3.05½-3.06	1⅞-1¾pfpm	7.11	5½-5¼pm	7.03
Portugal	253.90-257.40	254.70-255.70	10-58cdis	-1.60	107-220dis	-2.56
Spain	196.25-198.20	197.00-197.30	2-12cdis	-0.43	16-36dis	-0.53
Italy	2212-2235	2214½-2215½	5-3lirepm	2.17	12-10pm	1.99
Norway	11.04½-11.14½	11.06-11.07	3⅛-2⅞orepm	3.12	8⅞-7⅞pm	2.91
France	10.35¼-10.45¼	10.37-10.38	4⅝-4⅛cpm	5.06	13⅝-13⅛pm	5.16
Sweden	10.27½-10.36½	10.28½-10.29½	2⅞-2⅛orepm	2.62	7⅛-6⅞pm	2.70
Japan	222½-225	222¾-223¾	1⅞-1⅞ypm	8.40	4⅞-4⅞pm	8.06
Austria	21.48-21.65	21.52-21.55	13-11gropm	6.69	37-34pm	6.59
Switzerland	2.63½-2.66½	2.63¾-2.64¾	1⅛-1⅛cpm	6.54	4⅝-4⅜pm	6.82
ECU	1.4750-1.5010	1.4750-1.4760	0.60-0.57cpm	4.76	1.80-1.75pm	4.81

Commercial rates towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.15-64.25. Six-month forward dollar 3.35-3.30cpm 12 months 6.40-6.30cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5200-1.5600	1.5335-1.5345	0.55-0.52cpm	4.19	1.69-1.64pm	4.34
Ireland†	1.3280-1.3420	1.3390-1.3400	0.12-0.17cdis	-1.30	0.10-0.20dis	-0.45
Canada	1.1935-1.1995	1.1970-1.1980	0.29-0.33cdis	-3.11	0.89-0.95dis	-3.07
Netherlands	2.2345-2.2615	2.2420-2.2430	0.45-0.43cpm	2.36	1.25-1.21pm	2.20
Belgium	41.55-42.05	41.70-41.80	5.00-3.50cpm	1.23	11.00-8.00pm	0.91
Denmark	7.72¼-7.81	7.75-7.75½	0.35-0.15orepm	0.39	0.35pm-0.05dis	0.08
W. Germany	1.9820-2.0090	1.9920-1.9930	0.47-0.44pfpm	2.74	1.27-1.22pm	2.50
Portugal	166.00-167.10	166.00-166.10	70-100cdis	-6.15	270-340dis	-7.35
Spain	127.80-129.30	128.30-128.40	48-58cdis	-4.97	164-178dis	-5.33
Italy	1437-1459¼	1443¾-1444¼	2.30-2.80liredis	-2.12	9.10-9.80dis	-2.62
Norway	7.19-7.26	7.21-7.21½	0.70-0.95oredis	-1.37	3.00-3.30dis	-1.75
France	6.73¾-6.82	6.76-6.76½	0.38-0.33cpm	0.65	0.90-0.75pm	0.49
Sweden	6.69-6.75½	6.70½-6.71	0.97-1.12oredis	-1.87	3.10-3.35dis	-1.92
Japan	144.70-147.50	145.45-145.55	0.52-0.50ypm	4.21	1.51-1.48pm	4.12
Austria	13.99-14.13	14.02½-14.02¾	2.80-2.30gropm	2.18	7.80-6.30pm	2.01
Switzerland	1.7085-1.7325	1.7195-1.7205	0.32-0.29cpm	2.13	0.95-0.91pm	2.17
ECU	1.2290-1.0380	1.0370-1.0380	0.40-0.60cdis	0.58	0.70-1.00dis	3.26

Commercial rates towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.80-41.90.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 16) 3 months US dollars		6 months US Dollars	
bid 9⁷⁄₁₆	offer 9⁹⁄₁₆	bid 9½	offer 9⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	11
Broker loan rate	10½-¼
Fed. funds	9½
Fed funds at intervention	9½

Treasury Bills and Bonds

One month	8.30	Three year	8.46
Two month	8.44	Four year	8.48
Three month	8.42	Five year	8.38
Six month	8.39	Seven year	8.38
One year	8.55	10-year	8.33
Two year	8.51	30-year	8.31

June 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.35-6.45	6.55-6.70	6.70-6.85	6.85-7.00	6.95-7.10	6.50
Paris	8⅞-9	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-9	7.25
Zurich	6⅞-7⅛	7⅛-7⅛	-	7⅛-7⅛	-	-
Amsterdam	7.00-7.12	6.93-7.03	-	7.08-7.18	-	-
Tokyo	4⅞-4⅞	5⅛-5⅛	-	5⅞-5⅞	-	-
Milan	12⅛-12½	12½-12⅜	-	12⅛-12⅜	-	-
Brussels	5.05	8⅞-8⅛	-	8⅞-8⅞	-	-
Dublin	8¾-9	8⅞-8¾	8⅞-9⅛	9⅛-9½	9⅝-9⅞	-

LONDON MONEY RATES

June 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12⅞	13⅛	14	14⅛	14³⁄₁₆	14⅛
Interbank Bid	4½	12¾	13⅞	14¹⁄₁₆	14⅛	14
Sterling CDs	-	-	13⅞	14⅛	14⅛	13⅞
Local Authority Deps.	12¼	12¾	13⅞	14⅛	14⅛	14⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13½	13¼	13½	13¾	-	-
Company Deposits	-	-	14	14¼	14⅜	14¼
Finance House Deposits	-	-	14	14¼	14⅜	14⅛
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13¾	13⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	14⅜	14	-
Dollar CDs	-	-	9.45	9.35	9.30	9.15
SDR Linked Dep Offer	-	-	8⅝	8⅝	8⅝	8⅝
SDR Linked Dep Bid	-	-	8⅜	8⅜	8⅜	8⅜
ECU Linked Dep Offer	-	-	9	9⅛	9⅛	9⅛
ECU Linked Dep Bid	-	-	8⅞	9⅛	9⅛	9⅛

Treasury Bills (sell); one-month 13⅞ per cent; three months 13⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills: Average tender rate of discount 13.6217 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1989. Agreed rates for period June 26,1989 to July 25, 1989, Scheme I: 14.02 p.c., Schemes II & III: 14.45 p.c. Reference rate for period April 29 to May 31, 1989, Scheme IV&V: 13.151 p.c. Local *Authority and Finance Houses seven days' notice, others seven days' fixed.* Finance Houses Base Rate 13½ from June 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988, Deposits withdrawn for cash 5 per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	June 16	June 9		June 16	June 9
Bills on offer	£500m	£500m	Top accepted rate of discount	13.6574%	13.5772%
Total of applications	£807m	£1229m	Average rate of discount	13.6217%	13.5509%
Total allocated	£181m	£500m	Average yield	14.1006%	14.0247%
Minimum accepted bid	£96.595	£96.615	Amount on offer at next tender	£500m	£500m
Allotment at minimum level	100%	20%	Minimum accepted bid 182 days	£93.330	£93.470

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 16	change
LONDON		
Base rates	14	Unch'd
7 day Interbank	13¼	Unch'd
3-month Interbank	14¼	+¼
Treasury Bill Tender	13.6217	+0.0708
Band 1 Bills	13¼	Unch'd
Band 2 Bills	13⅞	Unch'd
Band 3 Bills	13⅞	Unch'd
Band 4 Bills	13⅞	Unch'd
3 Mth. Treasury Bill	13⅞	+⅛
1 Mth Bank Bills	13⅞	+⅛
3 Mth. Bank Bills	13¾	+⅛
TOKYO		
One month Bills	5⅞	+⅛
Three month Bills	5⅞	+⅛
BRUSSELS		
One month	8⅞	-⅛
Three month	8⅞	+⅛
AMSTERDAM		
One month	6.98	+0.54
Three month	7.13	Unch'd
NEW YORK		
Prime rates	11	Unch'd
Federal Funds	9½	Unch'd
3 Mth. Treasury Bills	8.43	-0.05
6 Mth. Treasury Bills	8.39	+0.10
3 Mth. CD	9.325	0.200
FRANKFURT		
Lombard	6.50	Unch'd
One mth. Interbank	6.625	-0.025
Three month	7.050	-0.125
PARIS		
Intervention Rate	7.25	Unch'd
One mth. Interbank	8⅞	+⅛
Three month	8⅞	+⅛
MILAN		
One month	12⅛	-⅛
Three month	12⅜	-⅛
DUBLIN		
One month	8⅞	Unch'd
Three month	9⅛	Unch'd

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY JUNE 16 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY JUNE 15 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (86)	131.43	-9.0	127.03	116.22	+3.2	5.07	130.08	127.01	116.37	157.12	128.28	148.82
Austria (19)	121.59	+26.7	117.51	125.92	+42.1	2.07	120.10	117.26	126.70	124.16	92.84	88.99
Belgium (63)	127.60	-5.6	123.32	131.69	+5.8	4.17	125.58	122.61	131.93	137.10	125.58	122.51
Canada (124)	139.23	+10.9	134.56	120.73	+11.3	3.29	138.87	135.59	120.57	141.80	124.67	126.20
Denmark (38)	193.59	+13.6	187.11	204.13	+28.4	1.65	189.74	185.28	203.16	193.59	165.35	128.80
Finland (26)	140.41	+7.3	135.71	130.97	+14.6	1.60	137.75	134.49	130.94	159.16	125.81	138.25
France (128)	116.33	+1.1	112.44	123.41	+12.9	3.08	115.54	112.81	124.46	122.79	112.57	95.93
West Germany (100)	84.96	-3.4	82.11	88.01	+8.5	2.31	83.56	81.58	87.93	90.40	79.56	77.27
Hong Kong (49)	97.94	-12.4	94.66	97.93	-12.6	5.51	97.79	95.48	97.83	140.33	86.41	109.20
Ireland (17)	132.10	+0.2	127.67	138.96	+12.6	3.03	130.41	127.32	139.10	151.36	125.00	139.33
Italy (97)	82.86	-2.7	80.08	89.36	+7.6	2.49	81.07	79.15	88.58	88.88	74.97	70.70
Japan (455)	168.83	-11.8	163.17	155.28	+2.6	0.51	164.22	160.34	155.29	200.11	164.22	174.55
Malaysia (36)	179.16	+24.9	173.16	187.10	+25.0	2.57	177.42	173.22	186.44	185.03	143.35	146.35
Mexico (13)	255.88	+58.1	247.31	684.45	+64.2	0.76	241.41	235.70	653.39	255.88	153.32	172.51
Netherland (42)	117.07	+4.1	113.14	119.82	+16.6	4.31	115.29	112.56	119.92	122.22	110.83	106.27
New Zealand (24)	65.58	-3.0	63.38	61.15	+7.3	6.07	64.38	62.86	60.59	76.02	62.64	89.81
Norway (26)	171.42	+28.4	165.67	167.81	+35.8	1.58	169.59	165.58	169.19	198.39	139.92	123.22
Singapore (26)	159.57	+27.6	154.22	144.28	+28.7	1.92	157.64	153.91	143.37	161.98	124.57	122.29
South Africa (60)	139.45	+18.3	134.78	128.74	+29.0	4.23	137.88	134.62	125.58	144.86	115.35	129.84
Spain (43)	145.42	-2.0	140.55	141.40	+11.0	3.57	144.37	140.96	142.13	156.17	143.14	160.66
Sweden (35)	162.63	+12.5	157.18	161.49	+23.2	2.13	160.06	156.27	161.18	162.63	138.45	122.37
Switzerland (57)	77.05	-1.3	74.46	82.16	+13.0	2.48	75.13	73.35	81.40	79.76	67.81	81.51
United Kingdom (314)	135.94	+0.5	131.38	131.38	+18.5	4.44	133.76	130.60	130.60	153.33	133.28	137.08
USA (557)	131.09	+15.8	126.70	131.09	+15.8	3.42	130.63	127.54	130.63	133.96	112.13	110.33
Europe (1005)	114.79	+0.1	110.94	115.41	+14.8	3.56	113.03	110.36	115.13	121.70	112.63	108.92
Nordic (125)	158.06	+13.2	152.77	154.07	+25.0	1.85	155.36	151.68	153.80	158.06	137.95	116.77
Pacific Basin (676)	164.77	-11.6	159.25	151.68	+2.5	0.75	160.44	156.65	151.67	194.72	160.44	170.85
Euro - Pacific (1681)	144.85	-8.1	140.00	137.12	+8.1	1.68	141.56	138.21	137.01	164.22	141.56	146.08
North America (681)	131.49	+15.5	127.08	130.45	+15.5	3.41	131.03	127.93	130.01	133.73	112.79	111.18
Europe Ex. UK (691)	101.30	-0.3	97.91	105.53	+11.8	2.90	99.80	97.44	105.55	105.29	96.30	91.43
Pacific Ex. Japan (221)	116.07	-6.8	112.18	106.44	-0.2	4.90	115.10	112.37	106.36	137.65	111.93	126.43
World Ex. US (1878)	144.67	-7.3	139.82	136.67	+6.5	1.74	141.49	138.15	136.55	162.77	141.49	145.28
World Ex. UK (2121)	139.17	-0.7	134.50	135.10	+8.5	2.10	136.98	133.74	134.92	146.04	136.98	131.25
World Ex. So. Af. (2375)	138.86	-0.7	134.21	134.80	+9.3	2.29	136.67	133.44	134.56	146.65	136.67	131.76
World Ex. Japan (1980)	124.81	+8.8	120.62	124.31	+14.7	3.53	123.82	120.90	123.93	126.50	114.51	111.22
The World Index (2435)	138.86	-0.6	134.21	134.74	+9.3	2.31	136.68	133.45	134.50	146.51	136.68	131.75

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Last	Nov. 89 Vol	Last	Feb. 90 Vol	Last	Stock
Gold C	$370	66	8.90	33	17.50	-	-	$365.75
Gold C	$380	116	5.10	20	12	-	-	$365.75
Gold P	$360	91	5.40	91	7	20	9.50	$365.75
		Jun. 89		**Jul. 89**		**Aug. 89**		
EOE Index C	FL 265	90	46.40 b	-	-	-	-	FL 311.51
EOE Index C	FL 270	146	41.40 b	-	-	-	-	FL 311.51
EOE Index C	FL 275	90	36.50	-	-	-	-	FL 311.51
EOE Index C	FL 280	712	31.40 b	3	32.50 b	-	-	FL 311.51
EOE Index C	FL 285	391	26.40 b	20	27	-	-	FL 311.51
EOE Index C	FL 290	607	21.40 b	9	23 b	2	23	FL 311.51
EOE Index C	FL 295	693	16.70 a	55	18.50 b	-	-	FL 311.51
EOE Index C	FL 300	2641	11.40 b	274	14	2	16.50 b	FL 311.51
EOE Index C	FL 305	2735	6.70 a	629	11	22	12.50 b	FL 311.51
EOE Index C	FL 310	1308	1.50	985	7.50	70	10.50 b	FL 311.51
EOE Index C	FL 315	98	0.10	275	5.30	4	7.70	FL 311.51
EOE Index C	FL 320	-	-	69	3.40	25	5.30	FL 311.51
EOE Index P	FL 295	-	-	62	1.20	5	3 a	FL 311.51
EOE Index P	FL 300	-	-	324	2.10	4	4	FL 311.51
EOE Index P	FL 305	250	0.10	1928	3.20	114	5.20	FL 311.51
EOE Index P	FL 310	3435	0.10	2480	5	121	7.30	FL 311.51
EOE Index P	FL 315	1730	3.60 a	1776	7.50	3	10.30	FL 311.51
EOE Index P	FL 320	-	-	194	10.50	6	12.50	FL 311.51
S/Fl C	FL 210	83	14.20	7	14.70 a	-	-	FL 224.35
S/Fl C	FL 215	68	9.70 a	5	10.50	-	-	FL 224.35
S/Fl C	FL 225	389	0.10	501	4.20	42	4.90 a	FL 224.35
S/Fl C	FL 230	439	0.05	142	2.50 a	112	3 a	FL 224.35
S/Fl C	FL 235	-	-	3	1.40	76	1.70 a	FL 224.35
S/Fl P	FL 220	393	0.10	181	2.50	105	3.50	FL 224.35
S/Fl P	FL 225	361	1	244	4.50	30	5.50 b	FL 224.35
S/Fl P	FL 230	215	6	42	7.70	10	8.80	FL 224.35
		Jul. 89		**Oct. 89**		**Jan. 90**		
ABN C	FL 45	187	0.40	226	1.10	187	2	FL 42.80
Aegon C	FL 105	63	1.20	34	3.50	-	-	FL 101.30
Ahold C	FL 125	88	2.80	23	5.50	-	-	FL 121.50
Akzo C	FL 160	166	0.60	515	3.60	11	5.50	FL 149.50
Akzo P	FL 150	146	2.50	42	4.30	-	-	FL 149.50
Amev C	FL 55	692	0.70	363	2.50	4	3.20	FL 53.30
Amev P	FL 50	405	0.40	53	1.40	10	2	FL 53.30
Amro C	FL 85	217	1.10	17	2.40 b	6	4	FL 83.80
N.V. DSM C	FL 140	94	3.90	290	7.50	19	10.50	FL 139.60
Elsevier C	FL 70	75	4.70	79	6.50 b	24	8.50	FL 74.40
Gist-Broc. C	FL 40	122	0.50	524	2	1	2.80	FL 36.40
Gist-Broc. P	FL 35	152	0.50	20	1.40	-	-	FL 36.40
Heineken C	FL 120	699	6.50	411	9.70	22	11.70	FL 124.90
Hoogovens C	FL 115	558	4.40	1023	10	243	13.70	FL 114.70
Hoogovens P	FL 115	69	4	321	7	3	8.80	FL 114.70
KLM C	FL 50	313	1.10	798	2.40	81	3.90 b	FL 48.80
KLM P	FL 50	81	1.80	93	3.50	79	4 b	FL 48.80
KNP C	FL 60	258	1.90	123	4.40	211	5.80	FL 59.70
NEDLLOYD C	FL 450	94	11	7	29.90	-	-	FL 439.50
Nat.Ned. C	FL 70	111	0.40	488	1.40	49	2.60	FL 65.40
Nat.Ned. P	FL 60	173	0.20	262	1.10	-	-	FL 65.40
Philips C	FL 40	182	0.80	168	2.40	231	3.60	FL 38.40
Philips P	FL 35	2	0.30	100	0.80	80	1.40	FL 38.40
Royal Dutch C	FL 140	400	2.40	58	5	14	7.60	FL 138.10
Royal Dutch P	FL 130	155	0.50	45	2.20	3	3.50	FL 138.10
Unilever C	FL 140	351	3.50	156	6.70	41	8.80	FL 141.20
Unilever P	FL 140	873	1.50 a	50	3.50	-	-	FL 141.20
Van Ommeren C	FL 50	1407	2.20	700	4.10	18	5.40 a	FL 49.20
Van Ommeren P	FL 40	-	-	205	0.70	10	1.50	FL 49.20

TOTAL VOLUME IN CONTRACTS : 71,703

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	14
Adam & Company	14
AAB - Allied Arab Bk	14
Allied Irish Bank	14
● Henry Ansbacher	14
Associates Cap Corp	14
Authority Bank	14
● B & C Merchant Bank	14
Bank of Baroda	14
Banco Bilbao Vizcaya	14
Bank Hapoalim	14
Bank Credit & Comm	14
Bank of Cyprus	14
Bank of Ireland	14
Bank of India	14
Bank of Scotland	14
Banque Belge Ltd	14
Barclays Bank	14
Benchmark Bank PLC	14
Berliner Bank AG	14
Brit Bk of Mid East	14
● Brown Shipley	14
Business Mtge Tst	14½
CL Bank Nederland	14
Central Capital	14
● Charterhouse Bank	14
Citibank NA	14
City Merchants Bank	14
Clydesdale Bank	14
Comm. Bk. N. East	14
Co-operative Bank	*14
Coutts & Co	14
Cyprus Popular Bk	14
Dunbar Bank PLC	14
Duncan Lawrie	14
Equatorial Bank plc	14
Exeter Trust Ltd	14½
Financial & Gen. Bank	14
First National Bank Plc.	15
● Robert Fleming & Co.	14
Robert Fraser & Ptnrs.	14½
Girobank	14
● Guinness Mahon	14
HFC Bank plc	14
● Hambros Bank	14
Heritable & Gen Inv Bnk.	14
● Hill Samuel	§14
C. Hoare & Co.	14
Hongkong & Shangh.	14
● Leopold Joseph & Sons	14
Lloyds Bank	14
McDonnell Douglas Bnk	14
Meghraj Bank Ltd	14
Midland Bank	14
Mortgage Express Ltd.	‡13.75
Mount Banking	14
Nat Bk. of Kuwait	14
NatWestminster	14
Northern Bank Ltd	14
Norwich Gen. Trust	14
PRIVATbanken Limited	14
Provincial Bank PLC	15
R. Raphael & Sons	14
Roxburghe G'rantee	14½
Royal Bk of Scotland	14
Royal Trust Bank	14
● Smith & Williamson Secs.	14
Standard Chartered	14
TSB	14
United Bk of Kuwait	14
United Mizrahi Bank	14
Unity Trust Bank Plc	14
Western Trust	14
Westpac Bank Corp.	14
Whiteaway Laidlaw	14
Yorkshire Bank	14

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000 + instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 14%

JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§140	F.P.	-	175	140	‡Alan Paul 5p	160	-1	L2.5	2.6	2.1	19.3
165	F.P.	-	213	198	‡Ball (A.H.) 5p	213	+3	L6.0	1.9	3.8	17.0
§100	F.P.	-	126	108	‡Bloxmore Intl. 10p	118	-2	u5.2	1.9	5.9	11.4
175p	F.P.	-	201	185	Butler Cox 5p	197		L4.0	2.5	2.7	18.4
180	F.P.	23/6	216	180	Community Hosp. Grp £1	216	+1	R4.5	1.4	2.8	19.8
FL47	F.P.	-	£17¾	£16⅛	DAF N.V. Fl.5	£16⅜	-⅛	H02.5	1.8	4.4	12.6
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	93	-2	L1.13	4.7	1.6	17.7
50	F.P.	-	65	56	Donelon Tyson 10p	58		a0.75	1.6	1.7	48.5
‡	F.P.	-	101	61	Ex-Lands Warrants	63	-2		-	-	-
130	F.P.	-	141	130	‡Faupel Trading 5p	131		L4.88	2.4	5.0	10.0
160	F.P.	-	173	160	‡Hadleigh Ints. 50p	172	+1	4.5	3.1	3.5	10.2
†	F.P.	-	140	125	Hardy Oil & Gas 50p	132	-1		-	-	-
Ir76	F.P.	-	77	65	‡Kingspan Gp Ir20p	76		L1.71	3.6	3.0	10.0
§58	F.P.	-	66	56	‡Miskin Group 20p	60		Wd1.38	4.5	3.0	8.1
†	F.P.	-	£11⅞	£11½	Mitsubishi Tst & Bank Y50	£11⅝	+⅛	Q16%	8.2	3.0	40.8
†	F.P.	-	53	45½	‡Oliver Resources Ir5p	52½	+3		-	-	-
90	F.P.	-	108	90	‡Plastiseal 5p	105		L3.78	2.3	4.8	12.2
-	F.P.	-	178	158	‡Quarto (Resid Trans) 10c	161		6.0	-	5.0	-
§125	F.P.	-	152	135	Sheffield Insulations 10p	137	+2	L4.25	2.2	4.1	14.5
105	F.P.	-	120	111	‡Smith (James) Estates	118		u3.0	0.9	3.4	34.9
§60	F.P.	-	67	63	‡TLS Range 5p	66	-1	a2.7	1.1	5.5	12.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	186	182	Anglo Grp. 9½pc Cv.Bds. 1999	186	
-	F.P.	-	106p	101p	Ashley Grp. 8¼pc (Net) Cm Rd Cv Pf	106p	
100p	F.P.	-	100¼p	99p	Co-Operative Bk. 9¼pc Non-Cum Ir. Pf	99p	
♦	F.P.	-	103p	100p	Evode 7p (Net) Cnv. Red. Pf.	101p	
100p	Nil	-	4pm	2pm	Hartwell 7¾p (Net) Cv.Pf. £1	2pm	
-	F.P.	-	100	98⅞	N'wide Anglia 12⅞pc 19.3.90	98⅞	+⅛
-	F.P.	-	100⅛	98⅞	Do. 13¼pc 23.4.90	99	+⅛
-	F.P.	-	100	98⅞	Do. 13pc Bds 14.5.90	98⅞	+⅛
-	F.P.	-	100	99	Do. 13⅛pc Bds 4/6/90	99⅛	+⅛
‡99.1	£25	-	28½	25	Do. 4.25pc Index-Linked 2024	25	+⅛
100p	F.P.	-	100½p	98¾p	Speyhawk 9.75pc Cum Red. Pf. 2014	99p	+¼

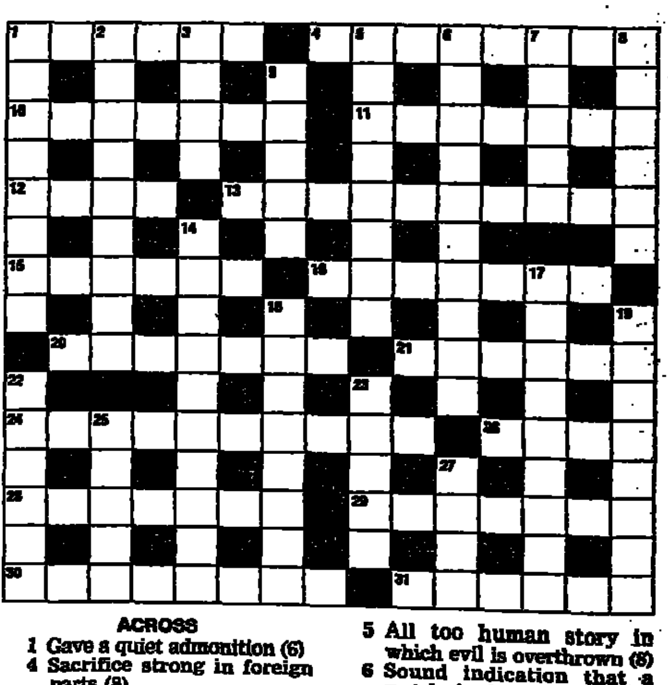
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
9	6	8/9	9½pm	7½pm	Bear Brand	9pm	
40	Nil	16/6	33pm	12pm	Fairway (London)	33pm	+4
61	Nil	-	11pm	7½pm	Fife Indmar	11pm	+2
265	Nil	18/7	50pm	36pm	Gold Greenlees Trott	36pm	
40	Nil	11/7	7pm	¼pm	‡March Grp.	1pm	+¼
435	Nil	-	53pm	51pm	RTZ 10p	52pm	
60	Nil	27/7	11pm	8pm	Richardsons Westgarth 10p	8pm	
8	Nil	-	½pm	¼pm	‡Southwest Res. A 2p	¼pm	
115	Nil	18/7	6pm	2pm	T & S Stores 5p	2½pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. R Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

CROSSWORD

No.6,963 Set by DANTE



ACROSS

1 Gave a quiet admonition (6)
4 Sacrifice strong in foreign parts (8)
10 Mean to assert one's seniority (7)
11 Sort of coal to use when you've money to burn (7)
12 Shoemaking tools (4)
13 Vague intuition I'd inwardly held back (10)
15 Harass the bosses in difficulty (6)
16 Retired train-bearer? (7)
20 What's in a name? This, for a start (7)
21 Not quite out of St Malo (6)
24 NE port – part is to come down (10)
26 A sticky attachment in a manner of speaking (4)
28 Wild and mute perhaps (7)
29 A *friendly* drink? (7)
30 An increase we'll make song about (8)
31 Did some lines when kept in (6)

DOWN

1 He has a fling at the airport (8)
2 The good man with endless service as a writer (9)
3 Sent up manufactured cheese (4)
5 All too human story in which evil is overthrown (8)
6 Sound indication that a watch is fully wound up? (5,5)
7 His love for Hera brought him revolutionary punishment (5)
8 University examinations involving arts, for example (6)
9 Layer on article turned to shade of red (5)
14 Hailstorm breaks out around the East – it's to do with temperature (10)
17 Live out on new development (9)
18 Paid a brief visit and asked for help (6,2)
19 Surprised to find the vehicle is carrying acid (8)
22 Is put to a variety of uses in publications (6)
23 Slightly deflect the ball and score (5)
25 Inert *form* of chemical (5)
27 Untie a reef knot (4)

The solution to last *Saturday's* prize puzzle will be published with names of winners on Saturday July 1.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

CANADA

TORONTO

Closing prices June 16

MONTREAL
Closing prices June 16

5148	BombrdrA	$14⅝	14⅝	14⅝	+ ⅛
78102	BombrdrB	$14⅝	14¼	14⅝	+ ⅛
300	CB Pak	$19	19	19	
11830	Cascades	$07⅛	07	07	
6895	DomTxtA	$16⅛	15⅞	16⅛	
13720	Memotec	$09⅞	09¾	09⅞	
95448	NatBk Cda	$14⅛	13⅞	14	
6258	Noverco	$12½	12⅜	12½	+ ⅛
17423	Power Corp	$15⅛	15⅛	15⅛	
9889	Provigo	$10⅛	10⅛	10⅛	− ⅛
4380	SteinbrgA	$42⅞	42⅞	42½	− ⅛
13592	Videotron	$18⅝	18⅝	18⅝	

Total Sales 6,301,718 shares.

INDICES

NEW YORK DOW JONES

	June 16	June 15	June 14	June 13	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2486.38	2475.00	2503.36	2503.54	2518.66 (12/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.31	92.44	92.52	92.38	92.52 (14/6)	87.35 (23/3)	-	-
Transport	1140.52	1139.55	1150.06	1150.23	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	205.73	205.19	206.08	205.55	206.50 (12/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2495.52 (2505.97) Low 2461.57 (2460.82)

STANDARD AND POOR'S	June 16	June 15	June 14	June 13	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	321.35	320.08	323.83	323.91	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	367.74	366.20	370.40	370.72	373.82 (7/6)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.66	30.51	31.02	30.97	31.35 (9/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.59	178.97	180.83	180.94	182.37 (9/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	361.83	361.00	363.83	364.27	366.16 (9/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	447.21	447.10	450.64	450.73	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 9	Jun 2	May 26	year ago (approx.)
Dow Industrial Div. Yield	3.52	3.51	3.38	3.54

	June 14	June 7	May 31	year ago (approx.)
S & P Industrial div. yield	3.00	2.98	3.02	2.94
S & P Indl. P/E ratio	13.62	13.75	13.53	15.35

TRADING ACTIVITY † Volume Millions

	June 16	June 15	June 14
New York	244.551	181.180	171.840
Amex	11.403	14.655	15.731
OTC	132.112	137.502	131.625

NEW YORK	June 16	June 15	June 14
Issues Traded	1,962	1,967	1,970
Rises	802	431	747
Falls	625	1,055	715
Unchanged	535	481	508
New Highs	61	66	111
New Lows	14	27	17

CANADA

TORONTO	June 16	June 15	June 14	June 13	1989 High	1989 Low
Metals & Minerals	3303.4	3287.4	3378.7	3415.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3745.1	3737.4	3769.7	3787.0	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1896.63	1893.68	1917.30	1934.03	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comm	8,248,100	59⅛	+ 3⅝	General Electric	2,943,800	53⅛	+ ⅞
Exxon	3,833,300	44⅛	+ ⅛	IBM	2,724,800	109½	+ ⅛
Am T & T	3,381,500	35½	+ ⅛	Usx Corp	2,676,100	38	+ ⅛
Time Inc	3,293,400	165⅛	− 5⅛	Paramount	2,640,400	58⅞	− 1⅛
Bank of Boston xd	3,207,800	27⅛	+ ⅛	Eastman Kodak	2,366,600	48⅝	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 16	June 15	June 14	June 13	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1528.7	1533.2	1533.8	1541.3	1583.7 (23/5)	1412.9 (7/4)
AUSTRALIA All Mining (1/1/80)	691.3	693.3	694.7	699.7	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	359.41	359.28	354.85	350.43	359.41 (16/6)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6120.20	6131.15	6145.10	6158.43	6158.43 (13/6)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	334.89	333.45	329.34	325.61	334.89 (16/6)	275.49 (27/2)
FINLAND Unitas General (1975)	795.9	798.5	801.8	801.8	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	480.40	482.7	483.3	484.6	487.9 (9/6)	417.9 (4/1)
FRANCE Ind. Tendance (30/12/88)	112.2	113.4	113.8	113.9	114.5 (5/6)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	599.09	598.10	600.17	597.87	600.96 (8/6)	535.78 (27/2)
GERMANY Commerzbank (1/12/53)	1779.8	1776.1	1783.2	1775.2	1785.4 (8/6)	1595.7 (27/2)
GERMANY DAX (30/12/87)	1426.54	1426.66	1433.43	1429.11	1438.73 (8/6)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2342.41	2340.02	2380.48	2355.19	3309.64 (15/5)	2093.61 (5/6)
ITALY Banca Com. Ital. (1972)	651.72	646.63	643.48	638.62	651.72 (16/6)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	33055.17	32913.09	33402.99	33213.5	34266.75 (31/5)	30183.79 (5/1)
JAPAN Tokyo SE (Topix) (4/1/68)	2440.17	2440.16	2472.82	2464.14	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS Tti.Rtn.Gen.(End 1983)	249.6	249.7	249.1	247.8	249.7 (15/6)	208.3 (3/1)
NETHERLANDS CBS All Shr (End 1983)	194.1	194.4	194.0	193.0	194.4 (15/6)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	626.04	624.98	626.04	627.34	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1296.52	1288.29	1298.47	1283.84	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1413.0	1431.0	1416.0	1639.0 (23/3)	1291.0 (15/2)
SOUTH AFRICA JSE Industrial (28/9/78)	(u)	2542.0	2541.0	2516.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	309.61	311.64	313.76	315.90	315.90 (13/6)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4137.2	4129.0	4118.8	4073.3	4137.2 (16/6)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	733.0	728.3	723.7	716.3	733.0 (16/6)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	480.7	489.2	487.6	519.0 (17/2)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday June 16 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Amada	29.1m	2,220	+70	Toshiba	12.5	1,340	-30
Kawasaki Steel	22.9m	910	0	Ebara	12.4	2,520	+40
Nippon Steel	18.3	805	+6	Daicel	11.8	1,180	+70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

4pm prices June 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅛	21⅞	AAR	.44	1.4	20	178	30½	30	30½	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		96	9¼	9⅛	9⅛	– ⅛
11⅞	10⅛	ACMIn	1.28a	11.		407	11	10⅞	11	
10⅛	8½	ACM M	n1.01	11.		436	9⅝	9½	9½	– ⅛
11½	10	ACM Sc	1.26	11.		712	11	10⅞	11	
10	8⅞	ACMSp	1.01	11.		688	9¼	9⅛	9¼	+ ⅛
17⅛	10⅞	AL Lab	.12	.7	18	37	16⅝	16⅛	16½	
4⅛	3¼	AMCA	.12e	3.0	27	1	4	4	4	
6⅛	3½	AM Intl				514	5½	5⅜	5⅜	
23½	18⅛	AM In pf	2	9.4		13	21½	21⅛	21⅛	– ⅛
65¾	40⅞	AMR			7	2738	61⅛	60⅞	61⅛	+ ⅛
27	25	ANR pf	2.67	10.		1	25⅞	25⅞	25⅞	+ ⅛
9⅛	3⅝	ARX				255	4⅛	4⅛	4⅛	+ ⅛
45¾	35¼	ASA	3a	7.4		626	41	40½	40⅝	– ⅜
22⅜	15¼	AVX	.24	1.1	10	192	21⅛	20⅝	21⅛	+ ½
61⅛	43½	AbtLab	1.40	2.5	16	8645	56⅜	55⅛	56⅛	+ ⅛
19	15⅜	AbitibI g	1			199	16⅝	16⅛	16⅜	+ ⅛
13	7½	AcmeC	.40	3.1		90	12⅞	12⅞	12⅞	+ ½
8	5⅞	AcmeE	.32	4.1	18	2	7⅞	7⅞	7⅞	+ ⅛
34¾	20¼	Acuson			26	90	33¼	32⅞	32⅞	– ½
16⅞	14¼	AdaEx	1.82e	12.		95	15½	15⅜	15½	+ ⅛
16⅞	7¼	AMD				2450	10	9⅝	9⅞	+ ⅛
43½	28⅜	AMD pf	3	8.9		1	33⅞	33⅞	33⅞	– ⅛
10⅛	6½	Adobe				124	9⅞	9⅝	9⅞	+ ⅛
18⅜	16½	Adob pf	1.84	10.		5	18⅛	18⅛	18⅛	+ ⅛
21¼	19⅞	Adob pf	2.40	11.		20	20⅞	20⅞	20⅞	
9⅛	6⅜	Advest	.12	1.7	17	44	7¼	7⅛	7¼	+ ⅛
56¼	43½	AetnLf	2.76	5.1	8	3969	54½	53⅞	54⅛	– ⅛
13½	12⅜	AflPb n				2143	12⅞	12⅛	12⅞	+ ⅛
23	14⅝	Ahmans	.88	4.0	10	4353	22	21⅞	22	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous Page								
19 3/4	8 3/4	vjPNH pfC				7	13 3/4	13 1/4	13 1/4	− 3/8
16 1/2	6 1/2	vjPNH pfD				80	12 3/4	12 1/2	12 3/4	− 1/4
16	6 3/4	vjPNH pfE				79	12 1/4	12 1/4	12 1/4	− 3/8
15 1/4	6 1/4	vjPNH pfF				9	11 3/4	11 1/2	11 1/2	− 1/2
15 1/8	6 1/2	vjPNH pfG				78	12 1/2	11 7/8	12 1/8	− 3/8
15 7/8	10 1/4	PSvNM	.38			2379	14	13 3/4	14	
26 3/4	22	PSEG	2.04	7.8	10	6358	26 1/4	25 3/4	26	+ 1/8
46 1/2	41 1/4	PSEG	pf4.18	9.1		z450	46 1/2	44 1/2	46	+ 3/4
84 1/8	75	PSEG	pf7.70	9.2		z200	83 1/2	83 1/2	83 1/2	
84	77 3/8	PSEG	pf8.08	9.7		z100	83	83	83	
82 1/2	73 1/8	PSEG	pf7.52	9.2		z600	81 1/2	81 1/2	81 1/2	−1
81	72 1/4	PSEG	pf7.40	9.3		z20	80	80	80	
3 5/8	1 3/4	Publick				4	2 7/8	2 3/8	2 7/8	
51 1/4	37	PR Cem	.65a	1.4	6	3	45 3/4	45 3/4	45 3/4	+ 1/8
20 1/8	18	PugetP	1.76	8.7	9	743	u20 1/4	20	20 1/8	
8 5/8	7 1/2	PHICB	.85	11.		243	7 7/8	7 3/4	7 3/4	
10 1/8	9 3/4	PHYM	n			248	10	9 7/8	10	+ 1/8
10 1/8	8 3/4	PIGIT	1.01	11.		337	9 3/8	9 1/4	9 1/4	− 1/8
10 1/8	9 3/8	PMMI	0.09e	.9		461	9 7/8	9 3/4	9 7/8	
10	8 3/8	PMIIT	1.03a	11.		401	9 1/8	9	9 1/8	
9 5/8	8 3/4	PMIT	1.10a	12.		725	9 3/8	9 1/4	9 3/8	
9 7/8	8 7/8	PPrIT	1.14	12.		2057	9 5/8	9 1/2	9 1/2	
11 7/8	5 1/8	Pyro			84	484	11 7/8	11 5/8	11 3/4	
10 3/4	6	QMS				169	8 5/8	8 1/2	8 5/8	
1 3/8	5-16	Qantel			.1	178	9-16	1/2	1/2	− 1-16
62 1/2	42 5/8	QuakrO	1.20	2.0	19	2948	60 1/8	59	60 1/8	− 3/8
25	15 7/8	QuakSC	.80	4.8	38	996	16 7/8	16 5/8	16 3/4	+ 1/8
19	11 3/4	Quanex	.32	2.1	7	209	15 5/8	15 3/8	15 1/2	− 1/8
31 3/4	25 3/4	Quanx	pf2.26	8.4		74	27 1/2	27	27	−1
[illegible]										
44 3/4	30 5/8	XTRA	.72	2.1	15	99	33 1/2	33 1/4	33 1/2	+ 1/4
33	25	XTRA	pf1.94	7.3		10	26 3/4	26 5/8	26 5/8	+ 1/8
3 3/8	2	Zapata				413	2 1/4	2 1/8	2 1/8	− 1/8
21 1/4	13 1/8	Zayre	.40a	2.3	117	4747	17 5/8	17	17 1/2	+ 1/8
15 1/2	10 1/2	Zemex	.40	3.3	133	18	12 1/8	12	12	
30	16 1/2	ZenithE			994	1267	20	19 3/4	19 7/8	+ 1/8
10 3/8	8 7/8	Zenlac	1.26	13.		130	9 5/8	9 3/8	9 5/8	
2 3/4	1	vjZentLb				457	1 1/8	1 1/8	1 1/8	
27 5/8	15	ZenNt	.84	4.4	9	84	19	18 3/4	19	+ 1/8
21 5/8	14 5/8	Zero	.44	2.1	16	88	21 1/4	21	21	− 1/8
37 5/8	20	Zurn	.68	1.9	18	465	36	35 5/8	35 7/8	− 1/8
11 1/4	10	Zweig	1.07e	9.5		241	11 1/4	11 1/8	11 1/4	
10 3/8	8 3/4	Zweig n	.96	10.		1036	9 5/8	9 1/2	9 5/8	+ 1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PresdA	.10		45	5 1/4	5 1/4	5 1/4	
ProsCm	.06e	1	30	8 3/8	8 1/4	8 3/8	+ 1/4
Prism		13	17	2 7/8	2 3/4	2 3/4	
ProMed	.42	10	8	3 7/8	3 7/8	3 7/8	− 1/8
ProfCre		14	39	6 3/8	6 1/4	6 3/8	+ 1/8
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 4pm prices June 16

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
Worthg	.48	14	2387	22	21 1/2	21 3/4	+ 1/8
Wyman	.80	69	575	u18 3/4	18 1/4	18 3/4	+ 1/2
			−X−Y−Z−				
XL Dta s		20	266	23 1/4	22 3/4	23 1/4	+ 1/2
XOMA			531	19 1/2	18 3/4	19 1/2	+ 3/4
Xicor		9	4236	7 1/8	6 1/2	6 7/8	− 3/8
YelowF	.70	10	1271	27 1/8	26 1/2	26 1/2	− 5/8
ZionUt	1.44	10	25	25	25	25	
Zycad			1319	3 1/2	3 5-16	3 3/8	

FINANCIAL TIMES Monday June 19 1989

The Business Column

The quality test that banks fail to pass

There can be few businesses which are as obsessed with notions of quality, but where the results are as unsatisfactory, as banking.

Talk to any senior banker these days about his aims and before many words have passed his lips he will be on to quality. Yet quiz a customer of his, particularly a retail customer, and you will probably just as quickly hear grumblings and complaints.

Why is it that banks have such trouble getting "quality" out into the market? The answer is because the problem is exceedingly profound.

One reason is that banks, because of their special character built on trust and prudence, have to make a particularly big effort to achieve a level of service which is recognisable for its quality.

Theirs is not a business where there is room for cut-price, down-market operators. If your bank fails you, it is not the same as if the supermarket sells you a bad can of beans. This should mean that banks have more experience of achieving quality. But paradoxically, it works the other way round. Banks fail the quality test because the expectations are that much higher.

A second reason is that the structure of banks militates against quality. They are large and cumbersome, the motivational current is weak, and, at least until recently, there was insufficient competition in the banking market to make quality matter. Bankers do not even agree whether they should pay incentives for quality.

The third reason is, however, the one which must be the principal one: despite all their talk about quality, bankers remain fundamentally, but secretly, unconvinced about it. This became clear to me at a recent seminar on the subject arranged by PA Consulting Group called "Quality: culture and profit."

A competitive factor

The chief executive of one of the UK's top clearing banks delivered a hard-hitting speech about how quality had become a competitive factor. Bankers who do not serve their customers with what they want at the right price will lose out, he said.

Yet I am a customer of his bank, and I see a different picture. Almost every week I receive sales literature urging me to buy more products. Only once in the last five years have I been aware of this bank seeking its customers' opinions. That was in the form of a questionnaire left casually in a box at the local branch. In other words, the bank uses direct mail to sell products, but uses only a passive technique to sound out its customers and measure its performance. As one of the blunter bankers at the seminar put it: "Bankers just distribute brochures."

This is, I believe, indicative of deeply rooted attitudes in the banking business. When bankers talk of quality, more often than not they are referring to internal measures of efficiency: approving loans faster, reducing statement errors, improving communications between head office and branches. That may be good for the bank. But they are not talking about the nub of their relationships with their customers, and raising the satisfaction rate, which is ultimately what quality is all about.

This is human nature, after all. It is easier for most of us to tinker with the internal system than to go out into the market, look people in the eye and do a good job for them. And bankers, locked away behind their marble facades and robber-proof tills, find it hardest of all.

It is often said that increased competition will spur a greater awareness of quality among bankers. Possibly. But many bankers still think of quality as an expense with a tenuous relationship to profit, and in competitive times their inclination is to push it far down the spending list.

It would be nice to think that a crock of gold awaits the first bank which bridges the gulf between talk and action on quality. But the gulf remains deep and wide.

David Lascelles

THE MONDAY INTERVIEW

Driven by his world-scale ambitions

David Housego and R.C. Murthy talk to Dhirubhai Ambani of India's Reliance group

Dhirubhai Ambani believes that over the next five to ten years a handful of Indian companies will find a place in the Fortune 500 list of the largest international companies. He has no doubts that his Reliance group, spread across textiles, petrochemicals and engineering, will be among them.

Up to now, he says, Indian companies have failed to achieve internationally competitive size because of the restrictions imposed by India's anti-monopoly regulations, its tax structure and an environment that has given priority to small-scale units.

"There are hardly three companies in India which have a paid up capital of $100m (£66m). That is peanuts by international standards," he says. "And yet we consider ourselves a great industrial nation.

"Even today our companies cannot consolidate their different activities into one group as ICI can with its many divisions. How can we be respected in the international capital markets?"

Most large Indian industrial groups – the Tatas, the Birlas and others – are best described as clusters of companies often separately quoted on the stock market with the controlling family providing a loose, overall leadership. But Mr Ambani believes that international competition is forcing changes in both the strategies of the groups and the Government's attitude towards them.

Reliance is investing $1bn a year over the next five years in pursuit of his ambition to establish a multi-faceted conglomerate in the Korean style. With its takeover of Larsen and Toubro, India's leading engineering concern, last year, Reliance has broadened its activities from textiles and chemicals to heavy industrial plant fabrication and construction. The takeover also makes it India's largest group in terms of assets, and puts it a short head behind the Tatas in terms of market capitalisation.

Reliance claims to account for 9.4 per cent of the value of the Indian stock market. Its strategy is to focus on the infrastructure areas – petrochemicals, power generation, road construction – where expansion is rapid and which the government is opening up to the private sector because it is unable to finance and manage the volume of projects needed.

"We will go for the core sectors," Mr Ambani says, "for the capital intensive, civil engineering, import substitution, world-scale businesses. If the power sector or the roads sector are released to the private sector, we will go for that. If we go into oil refining it is because we are a petrochemicals company. All the Seven Sisters have integrated backwards from refining to cracking, to making plastics and marketing them. We will go into oil exploration as well if that is opened up to us."

A self-made man who started out working a petrol pump in Aden, Mr Ambani has built Reliance up from a small textile company to one of India's leading groups in less than a decade. His speech comes in short, staccato bursts broken by broad grins and raucous laughter. Businessmen credit him with a stronger strategic sense than possibly any other Indian industrialist. When pushed into a corner, he fights like an alley cat.

Three years ago, he nearly came a tumble when investigations into alleged tax and foreign exchange violations precipitated a slump in Reliance's share price. Part of his strength now is that close contacts with Prime Minister Rajiv Gandhi's administration make him possibly the most powerful industrialist in India.

His existing purefied terephthalic acid (pta) plant on the West Coast of India benefits from Reliance being a monoply supplier in which it is free to set its own price and imports are banned. It has raised the price of pta from Rs 23 (82p) a kilogram last summer to a current price of Rs 37. The Public Accounts Committee recently claimed that Reliance had violated a series of customs and tax regulations and questioned a government dispensation allowing it to pay Rs 310m in duties in 138 instalments over two years, with consequent loss to the exchequer and benefit to the group.

Mr Ambani's chief innovation has been to build plants of world-scale capacity in India and to demonstrate that popular savings presented a vast untapped market for raising equity capital. Reliance pioneered the issue of convertible debentures and their Rs 5.1bn issue last year was, at the time, the largest ever.

"No company had thought before of deliberately having a large number of shareholders," says Mr Ambani, justifiably claiming credit for widening popular share ownership in India. "We have brought 1.6m shareholders into Reliance Industries (the group's flagship company) and 2.3m shareholders into Reliance Petrochemicals (a new venture launched last year)."

"We had a very clear choice when we floated Reliance Petrochemicals in August. We could have kept the number of shareholders down to a million and saved ourselves on servicing costs in terms of sending reports, etc. Or we could have gone for a really broad-based shareholding which was what we decided."

Reliance's power to tap the capital markets for large sums now allows it to go into areas which were traditionally reserved for the public sector but which the Government is having difficulties in financing. "India needs to build 13 refineries between now and the year 2000 at a total cost of about $14bn. Now it is not possible for all that to come from the Government. So there will be a sharing of responsibilities. The Government will build six or seven – the private sector six or seven. The same thing will be true for the power sector though the Government will obviously take care of the biggest requirement which is for nuclear and hydel (hydro-electric) plants."

In taking over Larsen and Toubro, which might be merged with Reliance Petrochemicals, Mr Ambani believes he will have the capability to handle large plant and construction projects. He thinks he can win for L&T the orders that it has recently been slow to obtain. "A company requires a leader, a push, a vigour. We provide that. L&T has a lot of professional management talent. We can add the risk-taking ability and the entrepreneurship of the Reliance group."

Like many Indian groups, Reliance is family dominated. Since a stroke three years ago, Mr Ambani, as chairman, has relied heavily on his sons, Mukesh and Anil, who have also been appointed to the board of L&T as vice chairman and director, respectively.

Given his connections with the Prime Minister, it is not surprising that Mr Ambani believes that Congress will win the forthcoming general election, expected by the end of the year. He says: "Rajiv Gandhi will certainly win the elections. There is no doubt about that." But he also thinks that the same open door policies will be pursued whatever government is in power. "The international compulsions are such that the present liberal policies will be continued by any government. There is no fundamental difference in economic policies between the parties – including the Communists."

He expects long-term continuity in the shift towards more market-oriented policies. "In 1960 nobody would have imagined that the private sector would be allowed to put up fertiliser plants. Nobody could have imagined refineries jointly owned by the public and private sector. Nobody could have imagined gas-based power plants in the private sector.

"In 1980 the number of shareholders in our country was hardly half a million. Today there are about 10m. This is at a time when mutual funds are owned by the Government. There are no private mutual funds though I expect this to come."

Mr Ambani reacts angrily to charges that his success partly stems from the influence he wields in government. "Other people accuse me of this because they cannot do the things I have done. Why were we the first to go international and to build world-size plants? How is it that we have 2.3m shareholders willing to support us?"

He thinks India is unfairly described as one of the most corrupt countries in the world. "I have read that the parallel economy in the United States is worth over $500bn. Is there no corruption in Japan or the US?"

The Ambanis' most recent venture is the information industry. They have bought the Indian weekly, Commerce, with its associated research bureau and are turning it into a daily as a first step towards a larger role in the publishing world. They have sounded out both the Financial Times and The Wall Street Journal about possible tie-ups. "We would like to bring a new look to this whole business of information," says Mr Ambani. "In five or ten years' time the information industry is going to be very big business in India."

PERSONAL FILE

- 1934 Born
- 1950s Petrol pump assistant in Aden for a Shell subsidiary
- 1969 Set up Reliance as textile manufacturer
- 1977 Reliance goes public
- 1988 Reliance takes over Larsen and Toubro

'We will go for the core sectors'

The law and the right to strike

JUSTINIAN

WHEN British Rail goes to the High Court today for an injunction to prevent the National Union of Railwaymen from staging a one day strike on Wednesday June 21, it will be adding another worrying example of how contemporary litigation in the realm of industrial relations is fast reducing to impotence the workers' negotiating power with employers, by the exercise of the right to strike as an essential element in the principle of collective bargaining.

The British Rail case is unusual in the sense that it attacks the union ballot on the grounds of irregularities in the voting process.

These include allegations that members of the National Union of Railwaymen had not all received balloting forms. The court at this stage will clearly be unable to decide whether the balloting of all members took place properly, and if not, how the result would have been affected. The actual result of the ballot on a recorded vote of 70 per cent of the members was three to one in favour of a ban on overtime, and by nearly 60 per cent in favour of a 24 hours strike.

Parallel with this important case, the House of Lords today begins the hearing of the appeal by the Transport and General Workers Union against the injunction which the Court of Appeal surprisingly imposed, less than a fortnight ago, to prevent a lawful national dock labour strike taking place.

The problem stems from the unhelpful interjection of the legal process into industrial relations. To protect the right to strike is neither to approve nor disapprove of its exercise in any particular withdrawal of labour.

It merely recognises the fact that limits placed on the right to strike represent a measure of the strength which trade unions, in the last resort, can bring to bear at the bargaining table. Bargaining, ideally, should be able to achieve its object without anyone having to turn to litigation. If the litigious process seriously weakens the right to strike, then the workers' bargaining power is correspondingly lessened, ultimately to the detriment of the public interest.

The problem facing the court is: what to do when at the hearing of a legal action the arguments for and against the legality of strike action cannot be comprehensively and finally resolved.

Time is often lacking for teasing out difficult issues of fact and law. The courts have to do their best in deciding what should happen pending the full trial. Therein lies the rub.

The general principle to be applied by a judge nowadays in deciding whether or not to grant an interlocutory injunction to prevent strike action was authoritatively stated by the House of Lords in 1975 – curiously, a case concerning the alleged infringement of a patent for the use as absorbable surgical sutures.

The court's starting point is to ensure that there is a serious question to be tried, and not just a frivolous claim. There is no need (as there had been in the past) for the party applying for the injunction to establish that he has a prima facie case. At that stage the court cannot resolve conflicts of evidence or decide difficult questions of law, which must inevitably be left to the court of trial.

Once the party seeking an injunction has established an arguable case, the courts have to indulge in a balancing exercise to see which party would be the more inconvenienced by the grant or refusal of the injunction.

Two factors in the realm of industrial relations tend to work against the exercise of the right to strike.

The first is the financial loss which employers would suffer if the strike is allowed to go ahead. Increasingly, the limited availability of union funds to meet potentially huge – not to say stupendous – losses drives employers to seek the law's pre-emptive strike of an injunction.

More impelling is the damage to the public interest which a strike in a national industry, on a national scale, would be bound to cause.

Those two factors weight the balance in favour of employers. Even if the factors do no more than produce an evenly balanced situation, the practice sanctioned by the 1975 House of Lords decision is for the court to seek to maintain the existing state of affairs – that is, always to favour the continuation of work.

That practice clearly needs revision in its application to industrial relations, otherwise the law disturbs the delicate balance of power.

There can be no equilibrium in industrial relations without a freedom to strike. In protecting that freedom, the law also protects the legitimate expectation of management that it can use its right to property for the same purpose on its side. At present the law's protection is tilted in favour of the employer.

The consequence of a breakdown in collective bargaining is always a waste of social resources. So is litigation in the courts. But just as the potentiality of litigation is an indispensable condition to good social relations in general, so the potentiality of stoppage is indispensable to industrial relations.

The desire must be to restrict to an irreducible minimum the actual incidence of going to law.

Although strike action must be limited to ensure that the public obtains the essential supplies and services it needs – a matter of growing importance, with the development of service industries and with a rapid cultural change in the concept of what is essential for normal civilised life – the law's intervention must be such as to retain the even-handedness in the relative powers for collective bargaining.

All this dictates an approach by the law to interlocutory injunction peculiar to the industrial scene.

Employers should be required to do more than merely establish arguably that they will win their case at trial. The need is for the judges to impose a heavier burden on employers to show that it is more likely than not that they will win – which is what they had to do before 1975.

Any lesser burden places the right to strike too much in jeopardy in the delicate balance of competing powers for industrial harmony and equitable conditions of work.